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Sherwood Aldrich on Copper Investments

RAY CONSOLIDATED'S PRESIDENT MAKES SOME STRIKING OBSERVATIONS

By Barnard Powers

Unusual Opportunities for the Small Investor

BARGAINS IN HUNDRED DOLLAR BONDS

By Irvin Gillis

The Boom in Wyoming Oils

IMPORTANT RECENT DEVELOPMENTS AND PROSPECTS

By John D. Blake

Southern Pacific's Strong Position

ITS LARGE EARNINGS AND LARGER EQUITIES

By Fred L. Kurr

Philadelphia Company
Organizing the Investor
Should Business Men Speculate?
Ind. Alcohol's Sensational Earnings
Position of the Market
Railroad Rates and Rebates
Fed. Smelting—A Dying Mine
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The MAGAZINE of WALL STREET

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Vol. 20 AUGUST 18, 1917 No. 10

THE OUTLOOK

Progress in Price Fixing—Turning the Corner in Profits—Effect of the Crop Outlook—Money Market and Government Financing—The Market Prospect

GREATLY to the relief of the country, one of the important bills affecting price control has been passed. Beginning September 1 Mr. Hoover will have power, under the President's supervision, to fix prices on "foods, feed, fuel, including fuel oil and natural gas, fertilizer and fertilizer ingredients, tools, utensils, implements, machinery and equipment required for the actual production of foods, feed and fuel." And the President may license all businesses relating to importation, manufacture, storage, mining, or distribution of foods, feed, fuels, and other articles enumerated.

Undoubtedly more than half of the commodities bought and sold in this country are directly or indirectly included in the above list, but it will be a physical impossibility for Mr. Hoover to prescribe prices for all of them. He will confine his efforts to those where price-regulation appears to be most urgently needed.

The extraordinary breadth of the powers thus lodged in the President is, of course, warranted only by war. It is to be hoped that they will be used with moderation, for if prices are set too low the result will be an early falling off in production. Even the fact that some of these articles are subjected to such broad control will inevitably cause capital seeking investment to look toward uncontrolled industries, if such can be found.

The extraordinary and practically unlimited demand for many commodities resulting from the war has made price regulation necessary, but it is a heroic remedy and must be used with caution. Tampering with the economic machinery is a dangerous game and often brings some unexpected afterclap.

Further Price Fixing Still Delayed

THE first price-regulating efforts will be directed toward wheat and flour—manifestly the most important point. It is to be borne in mind that the minimum price of $2.00 a bushel for wheat does not apply to the present harvest but to that of 1918. The 1917 price remains to be established. In the main, the administration is certainly right in its statement that the ordinary price-fixing machinery for wheat and flour has practically broken down under the strain of the war.

As to steel, copper, oil and fuel—the commodities having the most direct relation to those companies in whose stocks investors take the greatest interest—

no definite price-fixing action has yet been taken and at this writing there is no telling when the uncertainty will be removed. While every one appreciates the difficulty of the task, the general feeling is that almost any fairly intelligent action would be better than prolonged uncertainty. Even if the first prices fixed should have to be changed after further investigation, that would be no more than is always happening when prices are controlled by demand and supply.

So far we have only the President's statement that he favors "just profits" and the same prices to both governments and private consumers. There is naturally a very wide variation of opinion as to what would constitute "just profits." But in view of the fact that the excess profit tax is to be depended upon for such a large part of the Government's war revenue, it is not likely that prices will be fixed so low as to eliminate the basis for that tax; and it is also to be borne in mind that prices will have to be put high enough to permit profitable production by those companies whose costs are the highest, as otherwise price-fixing would result in reducing the total production of the country.

Peace Profit Basis Impossible

IF prices were to be fixed only on Government orders—for ourselves and our allies—they might conceivably be arranged on a different basis for companies have various costs of production, but if the same prices are also to apply on private orders, as the President desires, they must necessarily have a uniform basis for all companies; for it would be impossible for the Government, in addition to all its other responsibilities, to undertake the handling, distribution and priority of private orders.

It is evident, therefore, that war profits cannot be reduced to a peace basis by price fixing. To that extent the outlook for our leading industrial corporations is encouraging.

Moreover, most companies already have on hand big orders taken at high prices. The unfilled orders of the U. S. Steel Corporation, for example, represent its full capacity for about eight months ahead, while some of the equipment companies are booked up for a year or more.

The Corner Being Turned

ON the other hand, there can be very little doubt that from this time forward industrial profits will be likely to show a decreasing tendency. Whatever the prices to be fixed for iron, steel, coke, coal, etc., they must be lower than the present absurd quotations, which really represent but a small volume of business placed.

Even if future prices should be as high as the average for the orders now on the various companies' books—and that average is of course much below present quotations—profits are likely to be smaller because of the steady rise in costs. It would be impossible for the Government, even if disposed to try, to fix all the prices which enter into a corporation's costs of production.

The Studebaker company has already recognized this situation by reducing the dividend on its common stock from 10 to 4 per cent. The automobile manufacturing end of this company's business is now operating at only two-thirds capacity—nevertheless the company has been forced to raise the price of its cars, which will not tend to increase the demand.

Effect of the Crop Outlook

THE prospect for 200,000,000 bushels more corn than ever raised before more than offsets the small wheat crop, which is about 25 per cent. below normal. Potatoes and beans will set new records, which is cheering news to the spud-famished populace.

While the consumption of corn instead of wheat makes little progress in the centers of population, it will prove an element in the situation through

the South and in some other farming sections. Eating corn bread during the war should be one of the easiest of patriotic acts, but customs are slow to change.

In general, the crop outlook guarantees good business for the railroads. It is a question whether the Railroad War Board can mobilize the roads' facilities efficiently enough to handle the crops this fall without congestion.

Money and Government Financing

THERE is a general expectation that the remainder of the Liberty Loan will be offered at the same rate as before, 3½ per cent., but that a higher rate will be authorized on future loans. Washington, however, has apparently reached no definite decision on these points but is awaiting the development of events.

With the Government in the money market for such tremendous sums, private corporations naturally have little chance for long term financing. Short term notes are being generally relied upon where financing of some sort is unavoidable, and recent offerings give a very attractive interest return.

The big changes from week to week in the reserves of New York banks are for the most part the result of Government operations and therefore attract little attention, since the Federal Reserve Board has the situation under such immediate control. Any early changes in the general plane of money rates will be upward, but doubtless the Board will be in a position to prevent any considerable rise.

As a result of entering the war, there has been a steady growth in our exports of gold. In April they were only $17,000,000, in May $58,000,000 and in June $67,000,000. Most of this gold is going to Japan and to Spain, as a natural result of our trade with those countries. Britain and France, on the other hand, have sent us enough gold to keep the monthly balance in our favor except for May, when exports exceeded imports by about $5,000,000.

For the six months ended June 30 our net gold imports were $275,000,000; for the year 1916 $530,000,000; and for 1915, $420,000,000—so the present exports are viewed with equanimity. At the same time the big credit expansion accompanying the war will utilize even our present tremendous stock of gold.

The Rails

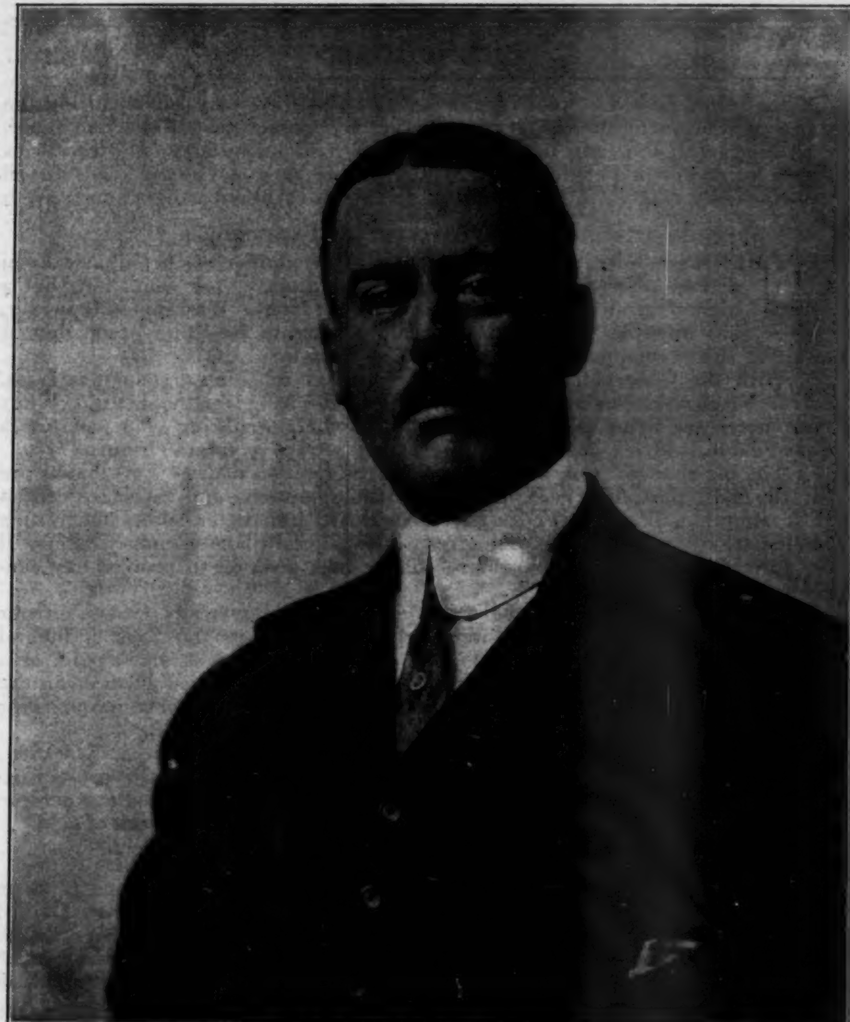
OWING to the record-breaking gross business being hauled and in some degree to the more efficient use of equipment resulting from control by the War Board and to the discontinuance of passenger trains, railway net income is equalling that of 1916 and must therefore be considered fairly satisfactory, even though it is not sufficient to attract the capital needed for expansion and for additions to equipment. Just at present the Government needs the capital anyway, and our equipment companies are so loaded with war orders that they could hardly do more work for American roads at any price.

The market for railroad stocks has fallen into a singular state of suspended animation. Every one recognizes the fact that these stocks are low compared with earnings, but other demands for capital prevent investment funds from flowing into the rails, and there is nothing in sight to arouse speculative enthusiasm in that section of the market.

The Market Prospect

THE announcement that the Pope has outlined specific peace proposals to all belligerents, which comes as we are going to press, gives a wholly changed aspect to the market. If these proposals are given serious consideration they are likely to depress the market.

It will be useless to look for advancing prices as long as such influences are at work, except in those issues which will benefit directly through the cessation of hostilities. —August 14, 1917.



MR. SHERWOOD ALDRICH

In the following pages Mr. Sherwood Aldrich, president of the Ray Consolidated Copper Co., discusses copper investments from the investor's viewpoint. Mr. Aldrich is one of the coterie of copper captains who made their reputation and fortunes with the advent of the low-grade "porphyry" copper companies. He was born at Riverhead, N. Y., in 1868, and was admitted to the New York Bar when 21 years old. After practicing law for two years in New York he broke down from over-work, and went to Colorado Springs to regain his health. He arrived about the time of the sensational gold discoveries in the Cripple Creek district.

The young lawyer found the mining game much more fascinating than dusty law books, and at once became interested in the study of mining and mining properties. No development in the Cripple Creek escaped his keen eye and quick brain, and as he prospered he branched out steadily and acquired larger interests in good properties. His first big "killing" was in the Tornado Mine, which afterward became consolidated with the Elkton properties and which paid millions in dividends.

In 1904 Mr. Aldrich's attention was directed to the new type of low-grade copper mine then evolving, and with his associates he became interested in a modest way in the Utah Copper Co., which was just commencing its career of sensational success. He was one of the pioneers in the discovery and development of Ray Consolidated, whose growth, while perhaps not as spectacular as that of Utah, has none the less been remarkable.

Copper Costs and the Copper Investor

The President of Ray Consolidated Makes Some Important Observations — The Fallacy of Operating Costs — Return on Invested Funds Over a Period of Years—Government Taxation

By **BARNARD POWERS**

WHETHER one is primarily interested in mining or individuals depends upon whether one will find more interesting the remarkable tale of the discovery and development of the Ray Consolidated Copper Co., or the no less remarkable account of the career of its president, Mr. Sherwood Aldrich.

The story of Ray Consolidated, which started as a colossal failure and grew into a tremendous success, was told by the writer in the October 30, 1915, issue of THE MAGAZINE OF WALL STREET, but the life story of its president has never been told in accurate detail. Like the evolution of Ray Consolidated, it is an account of apparent failure converted to brilliant success.

Turn back the pages of time a quarter of a century and picture, if you can, a young man in his early twenties, with the slimmest of funds and no prospects, leaving behind him the city of New York, obliged to abandon his chosen career of law, in which he had made an auspicious start, in order to seek to restore his shattered health in the less harsh climates of the West. Picture him gazing out into the black night as his train rushed along, knowing that his years of preparatory study and labor had been discounted at one fell swoop by the pencil of Fate, and wondering if the future held anything—even life—in store.

"When I looked out upon the flat prairies of Kansas and Oklahoma they seemed the dreariest stretches of country I had ever seen," he said in later years. "And at one time the feeling of homesickness became so great that I almost decided to turn back and return to New York, if I only lived six months longer." *Almost,*—but not quite.

Turn the wheel of years again until it reaches 1917, and visualize that same boy, now grown to manhood, abounding in health, the head of a mining corporation which will soon produce more than 100,000,000 pounds of copper per annum, and picture him affable, successful, rich, moving in the best social circles, blessed with a host of friends,—and you have in a nutshell the story of the career of Sherwood Aldrich.

The secret of his success, I believe, is to be found in the maxim "Do things and do them well." Although a born and bred Easterner, young Aldrich when he arrived in Colorado Springs, at once started to recover his health and learn the West. In six months' time he never would have known that his health had been impaired, and the way he learned the West is best expressed by the success he achieved "out yonder."

When he reached his Western destination he held, according to his own statements, the belief still in vogue in the East, that all mining was of the "gold brick" variety. But he quickly perceived that the big future for the young man lay in the mining game. And he tackled the study of mining with the same fierce concentration that he had applied to his law books and bided his time and watched his opportunities. He watched so well that before long he was dealing in mining properties on a large and successful scale. Nothing stirred in the Cripple Creek district of which he was not instantly appraised, and soon Aldrich and his associates became known as exceedingly shrewd judges of mining and mining properties. When the "porphyry" theory of mining began to attract notice Mr. Aldrich was one of the first to realize its soundness and pos-

sibilities.

Of that coterie who became multimillionaires with the ascendency of the porphyry-coppers — Jackling, MacNeill, Aldrich, Penrose, Shove and others— most of them are alive to-day, and most of them are comparatively young men, as the world reckons ages.

The president of the Ray Consolidated Copper Co., which ranks among the first ten of the world's largest producers of copper, is not an exponent of personal publicity. Rarely does his name appear in the public prints, still more rarely does he speak for publication, and I doubt if one reader of THE MAGAZINE OF WALL STREET, out of a hundred, has ever seen his published photograph. Although I have known Mr. Aldrich for nearly ten years, this is the first time I have ever published an interview with him, and I strongly suspect that I obtained his reluctant consent to allow me to print what he said only on purely personal grounds. He is the kind of man who prefers to say "Yes" to the "other fellow," when it is possible for him to take the affirmative side, and he is willing to concede a great deal in the matter of personal preference in order to take that side.

Our interview took place in his spacious office, the largest of a magnificent suite at 25 Broad Street, eight floors above the street level, and looking out over the New York Curb Market. Although he has spent fourteen years in the West, Mr. Aldrich is essentially Eastern, quiet spoken, using the most perfect English and scrupuously courteous at all times; in fact, there is nothing about his demeanor or utterances to indicate that he has ever been west of the Mississippi. "Urban" is a word that describes him to a nicety, but his height and powerful frame give the appearance of great vitality, and I am reliably informed that certain hard-fisted citizens in the mining camps, who attempted to take advantage of this soft-spoken Easterner, had occasion to repent of their temerity. As an entering wedge to our conversation, I asked Mr. Aldrich what was the most important feature in the present copper situation, and he answered without an instant's hesitation:

Copper Costs

"One of the most interesting as well as important factors in the present situation, and one that has received comparatively little attention, is the matter of copper costs." Apparently Ray Consolidated's president has given considerable attention to this subject, for he spoke rapidly and with the greatest emphasis as he continued:

"There exists a wholly erroneous conception in the minds of investors and the public on the matter of the costs of producing copper and the profits resulting to the producers from the sales of copper at present prices. It is the general belief that the producers are making fabulous profits, while as a matter of fact they are doing nothing of the kind.

"Perhaps the blame for this misconception is due in part to the producers themselves, for they have always stated as production costs what should be classified as operating costs. There is no use looking at a part of the costs when one is considering the general subject of costs. I believe that the real cost of producing copper in the United States to-day is, on the average, in excess of 14 cents per pound, for there must be added to the operating cost the depletion charge for each pound taken from the ground as well as the charge against it for its proportionate share of the enormous construction and equipment plants, considerable portions of which become obsolete at frequent intervals, and all of which is reduced to merely scrap value at the end of the life of the mine. There must further be added the exceedingly high tax charges which have been levied and which are rapidly increasing.

Average Selling Price

"Now, let us look at copper from the investor's and long-range viewpoint. The average price of copper for the twenty years which preceded the war was between 14 and 15 cents per pound. I am of the opinion that 90 per cent of investors who hold copper stocks today paid approximately the current market prices for their copper securities and that means they made their purchases, speaking generally, on a long

COLLEGE OF BUSINESS ADMINISTRATION Boston University

time basis of 14½-cent metal. If copper should average 14½c. per pound for the next twenty to twenty-five years, they would get their money back and interest not to exceed at the rate of 6 per cent per annum. This can hardly be classed as an appropriate return on a mining investment.

"It would appear that copper valued at 14½c. per lb. and sold at 25c. would yield a profit of 10½ per lb. But we can be certain that copper will not continue to sell at 25c. per pound for any long period of time, and we must therefore take the high prices for the metal and figure them as an offset against the long period when copper may be bringing but 14½c. a lb. or less."

"In short, one should consider boom times in copper," I suggested, "as merely insurance against the dull times which experience has shown us invariably follow eras of high prices?"

Copper Never "Grows Back"

"Exactly," he agreed, "and moreover, every person who gives thought to the subject at once realizes that copper never 'grows back.' Every mine has a fixed life, and when the ore body is finally exhausted, as every ore body is eventually exhausted, then industry ceases and the concern is liquidated.

"I hardly think the average investor stops to consider all these exceedingly important matters. If a person wishes to purchase a copper stock which he thinks has a promising future the scope of his inquiry is virtually limited to the following questions: 'What dividend is it paying?' 'Can it maintain the dividend in bad times as well as good?' 'What is the life of the property?' While these questions are of course important, they by no means fully cover the matter, as many investors have found to their cost when they came to check up on their investments.

Increasing Taxes

"When to all the other things you add the enormous increases in the combined county, state and Federal taxes of every known and ingenious character, you will find that the net result is the addition of something like 2½c. per pound to copper costs. Moreover, we are on the verge of the enactment of an excess profits tax which will further pull down the returns to the copper shareholder.

"When the Government talks of forcing the enormously profiting corporations to disgorge, it takes an unjust attitude for any sizeable incorporated concern is merely the corporate expression of from 10,000 to 50,000 individuals—plain citizens of the United States, each of whom may own many or but a few shares in the company."

That Mr. Aldrich's estimate as to present copper costs leans rather to the side of conservatism than exaggeration appears in the light of later developments. According to our esteemed contemporary, *The Boston News Bureau*, the Federal Trade Commission, which is investigating the matter of producing American copper, will show some surprising results. We quote as follows:

> "The cost of making copper has increased very materially during the past two years owing to higher wages and greater cost for supplies. Taxation, depletion and depreciation all figure more prominently than ever before. The net result is that copper costs in the United States today are nearer 20 cents a pound than ten cents, heretofore regarded as a normal average.
>
> "The depletion of assets, the real meaning of ore extraction from a mine, has never been seriously regarded by mine managements in their bookkeeping systems; neither has proper regard been paid to depreciation. The question of taxes was never before necessary, aside from the local property assessment. All these subjects must now be considered as important factors in the cost of operating a mining property, the excess profits tax being probably the greatest item.
>
> "Under the new order of determining copper costs, waiving all credits, it will be found that the cost of producing copper will range from 15 to 25 cents a pound in the case of the large companies and even higher among some of the smaller ones."

The foregoing is perhaps one, at least, of several good reasons why the copper stocks have been such laggards in the market for months past.

LEADERS IN AMERICAN FINANCE AND BUSINESS

S. R. GUGGENHEIM, CHAIRMAN OF EXECUTIVE COMMITTEE, AMERICAN SMELTING AND REFINING COMPANY

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MONEY--BANKING--BUSINESS

Leading Opinions

About Financial, Investment and Business Conditions

"Oil Situation Serious"—H. L. Doherty

The difficulty in obtaining steel casings for new oil wells, together with the increased cost of drilling for oil and the disposition of the Government to place a heavy tax on the industry, threaten a dearth of petroleum, according to Henry L. Doherty, head of the firm of Henry L. Doherty & Co. The firm is one of the largest producers of refined oil in the United States.

"The situation today as regards oil presents a serious problem," he said recently. "The difficulty in obtaining casing, the high cost of labor and the scarcity of labor create a situation that may cause an oil famine. The disposition of the government to exempt nothing more in the excess profit tax on the petroleum industry than is exempted on other less hazardous enterprises makes the situation more difficult still.

"Drilling is being curtailed at an alarming rate. The government officials are so taxed with a multitude of duties and callers that it is impossible for them to grasp the seriousness of the dire results which may follow.

"To expedite the huge problems which confront us our government is apt blindly to follow the example of the other countries that have been longer at war. Our conditions are vastly different. We have millions of acres of prospective oil territory. There is practically no limit to the oil we can produce, although the cost of oil may become prohibitive if a long period of inactivity should be brought about by a failure quickly to comprehend the true situation."

"Period of Great Prosperity"—A. Reynolds

"I am convinced that this country is entertaining a period of great prosperity, probably one of the greatest ever experienced," says Arthur Reynolds, vice-president of the Continental & Commercial National Bank of Chicago.

"I base this idea on developments taking place in the Western business community. We are experiencing a strong demand for money, not only for crop purposes and for Government financing, but for industrial purposes. Industrial concerns which have taken Government contracts and are expanding their plant capacities in order to fulfill these contracts are looking to banks to finance them. Naturally, here in the West, when the proceeds of the Liberty Loan were being disbursed in the East, we felt the drain; and as our Western concerns were not getting their share of the Government's business, the business effect was depressing. The Government evidently is realizing the wisdom of distributing these

—N. Y. *American.*

INTERRUPTED!

contracts widely, and the question of delivery is another factor entering into that."

Equal Prices Stirs Business

As a result of the appearance of open opposition to the Government's war purchasing programme for the selling of materials to the Allies at the same prices as to the United States, writes the *Tribune's* Washington correspondent, it was announced that the Government is taking

steps to force compliance, and, if necessary, will seek legislation to accomplish it.

The action of many American producers in ranging themselves to oppose this program occupies the attention of the new War Industries Board. While the War Department refuses either to confirm or deny the rumor that steel producers have declined to supply that department with an order of rails for France because of the low price offered, it is learned there had been some sort of hitch in negotiations over the order.

The National Defence Act gives the Government power to commandeer supplies for war purposes, but there is some doubt as to whether it gives the Government the power to resell to the Allies. Officials are divided in their opinion as to whether the Government can enforce the equal-price policy without the support of additional legislation.

—N. Y. *Globe.*

OUR BOYS IN THE TRENCHES.

The hope of the War Board is that industry will be brought over through negotiations and that no new laws will be required.

Government Will Finance Airplanes

In order to speed up the production of airplanes for war purposes, the authorities at Washington have agreed to adopt a liberal policy toward those companies that may need additional working capital to carry out the programme involving the expenditure of more than $600,000,000 by the government.

An official of the Wright-Martin Aircraft Corporation said that the Government had signified its willingness to advance his company whatever was needed to increase its output up to the requirements of the War Department.

"Our objective in this connection," stated this official, "is to increase our output of airplane motors for war purposes up to fifty a day. Now we are making them at the rate of only four a day."

It was reported in Wall Street that the Wright-Martin company was to receive an immediate advance of $11,000,000 from the Government.

The policy of the Government in making advances to aircraft companies was viewed with favor in the financial district, as it will obviate the necessity of borrowings in the open market through the issuance of securities to carry out the plans of the Allies to win the war in the air.

Steel Exports Worth $1,120,000,000

Exports of iron and steel and manufactures in the fiscal year 1917 were over four times as much in value as in the fiscal year 1914, while exports of pig iron, scrap iron and steel, steel billets and steel plates, which have been restricted by the President's recent order, aggregated eighteen times as much in 1917 as in 1914.

According to a compilation by the National City Bank, total exports of these four great products, of which the exportation is now prohibited, except "in case said articles are destined for actual war purposes or will contribute directly thereto," amounted in the fiscal year 1914 to $10,731,000, $11,727,000 in 1915, jumping to $62,093,000 in 1916, and again to approximately $198,000,000 in 1917, these figures for 1917 being based upon eleven months' actual returns, and an estimate for the closing month of the year.

In the fiscal year 1915 exports of iron and steel and manufactures reached $226,000,000, against $251,000,000 in 1914. They were worth $621,000,000 in 1916, and approximately $1,120,000,000 in 1917, these being official figures for eleven months and an estimate for the closing month of the year.

Ten Billion Foreign Trade

More than $10,000,000,000 worth of merchandise and precious metals passed through the custom houses of the United States in the fiscal year just ended. A compilation by the National City Bank of New York puts the total of imports and exports of merchandise in 1917 at $8,900,000,000, against $6,531,000,000 in

1916, $4,443,000,000 in 1915, and $4,259,-000,000 in 1914. The gold and silver imports and exports of 1917 aggregated $1,382,381,000.

Imports are set down at $2,634,000,000 in the fiscal year 1917, against $1,894,000,000 in 1914, a gain of $740,000,000, or 40 per cent., in the three-year period; the exports at $6,280,000,000 in 1917, against $2,365,000,000 in 1914, a gain of $3,915,000,000, or 165 per cent., and the total trade at $8,914,000,000, against $4,259,000,000, a gain of 109 per cent.

The fact that the export trade of the country has increased only 165 per cent. in the three years of the war will be a surprise to many who based their estimate of growth in exports upon the frequently published figures showing enormous increases in certain articles, especially those required for war purposes. Explosives, for example, show total exports in 1917 more than 100 times as great as in 1914; horses and mules twenty times as great; sugar thirty-five times as much in value; firearms thirty times as great; zinc and brass fifty times as much in value; commercial automobiles forty times, and condensed milk twenty times as much in value as in 1914.

On the other hand, cotton shows an actual decline, having been in 1917 but $550,-000,000, against $610,000,000 in 1914. Naval stores in 1917 were much below the figures in 1914. Agricultural implements exported in 1917 were about two-thirds as much in value as in 1914; hides and skins showed a decrease of more than one-half; cotton-seed oil was less; tobacco slightly less, and lumber over one-half less.

Max May on New Finance

In a recent article on "The New Basis for Foreign Exchange and International Finance," printed in *Successful Banking*, Max May, vice-president of the Guaranty Trust Co. of New York, stated that his expectation is that "financing and merchandising will be conducted or at least controlled, for the most part, by the Governments and not by bankers for a considerable period after peace has been ushered in." With regard to the changed outlook for international exchange, Mr. May said:

"Our agreement to lend $3,000,000,000 to the Allies has completely changed the whole outlook for international exchange. There are simply no precedents whatever to guide one in analyzing the future. However, one cannot stop doing business, but must try to foresee trends as best possible.

"What are the conditions that have now been produced?

"This $3,000,000,000 and any other billions that may be furnished later on to our Allies in Europe will not only call for heavy interest payments to us, but the principal will have to be paid sooner or later after peace is established. These colossal loans will probably run for a specified number of years with the understanding that repayment will not have to be made in one lump sum, but in installments, part of the loans being renewed.

"Therefore, England and France and Russia and Italy will have to lose no opportunity to accumulate dollar exchange for this purpose. No human being can foretell to what extent this will raise the price of dollars and lower the price of sterling and

—N. Y. *Tribune.*
EXEMPT ON ACCOUNT OF NUMEROUS DEPENDENTS.

other European exchange; but it is my judgment that not for many, many years—perhaps not in my lifetime—will dollar exchange and sterling exchange sell at the levels which ruled before the war. I cannot see how dollars can get back to the par of 4.8665 within the next decade at least."

"Railroads Nationalized" —Daniel Willard

A statement to the effect that the American railroads have at last been nationalized for war purposes and are working as one system during the present crisis was made by Daniel Willard, chairman of the committee on transportation

of the Council of National Defense. Mr. Willard is quoted as follows:

"The essence of the railroad system is that 693 railroad companies, operating in 48 States and controlling 263,000 miles of road, are responding admirably to central direction from the so-called war board of railway presidents. They have responded to every suggestion made by the Council of National Defense through the war board. They have made all transfers of troops on schedule without serious disruption of regular traffic. They have tremendously increased the supply of coal cars, the transit of grain, and met the needs of the Government at least as promptly and effectually as if they were under direct Government authority."

The Burden of War Taxes

"Confronted with war taxes of the most drastic kind, the managers of our great industries are wondering where they will 'get off,'" writes "Jasper" in *Leslie's Weekly*. "One thing should not be forgotten, and that is, if this war is to be carried on, some one must pay for it. The heaviest burden obviously must be borne by those who make the most money. Great Britain realizes this and accordingly levies a war tax on the excess profits of all its great money-makers in the shape of an income tax on investors, and an 'excess profits tax' on corporations.

—N. Y. *Mail.*

UNCLE SAM: "SURE, WILLIAM; THAT'S EASY."

"The English plan has worked out pretty well, and it should be followed by us. If it were, the Government would simply take its share—and make it as large as might be necessary—of all the excess profits of our big industries. The more they made the more the Government would take, and the more the Government took from them, the less it would have to take from individuals. This seems like a very simple proposition, but it is hard to get it into the heads of the rural statesmen in Washington."

May Adopt Metric System

"England and the United States are slow in realizing the waste of time and the chances of error involved in translating the terms of a logical and consistent standard of weights and measures into those which only owe their use to a blind maintenance of tradition," writes Dr. George Frederick Kunz in a recent issue of the *Scientific American*.

"For this reason those of us who favor the widest possible use of the metric system, not only because the system is in use in all parts of Europe and America, except in England and our own country, but because of its inherent merits, must welcome every step taken in what we regard as the right direction for the attainment of what would prove a most potent factor in international trade."

The increased demand for American goods in South America, Dr. Kunz points out, makes it imperative that we deal with Pan-American countries in terms of measurement and weight which they understand.

Nation's Resources

The latest figures showing the economic and financial resources of the United States, as compiled by the Mechanics & Metals Bank, are shown as follows:

Area, square miles	3,026,700
Population	104,000,000
National wealth	$250,000,000,000
National wealth, per capita	$2,404.00
National income	$40,000,000,000
National income, per capita	$384.00
National savings, 1916	$5,000,000,000
Nat'l savings, 1916, per capita	$48.00
National debt, July 1, 1917	$3,000,000,000
Nat'l debt, July 1, '17, per ca.	$28.80
Money in circulation	$4,750,000,000
Money in circulation, per ca.	$45.60
Gold money, in the country	$2,750,000,000
Gold money in c'try, per ca.	$26.44

Bank clearings 1916	$261,000,000,000
Bank loans, June 30, 1916*	$17,903,000,000
Bank deposits, June 30, 1916*	$26,935,000,000
New incorporations, 1916	$3,500,000,000
Iron output, 1916, tons	39,430,000
Copper output, 1916, pounds	2,400,000,000
Coal output, 1916, short tons	600,000,000
Petroleum prod., 1916, gals	290,000,000
Wheat output, 1916, bushels	640,000,000
Corn output, 1916, bushels	2,580,000,000
Oats output, 1916, bushels	1,250,000,000
Cotton output, 1916, bales	11,500,000
Agric'l products, 1916, value	$7,640,000,000
Agric'l products, per capita	$73.46
Foreign trade, 1916:	
Exports	$5,480,000,000
Imports	$2,390,000,000
Total foreign trade	$7,870,000,000
Excess exports	$3,090,000,000
Total foreign trade, per ca.	$75.67

*All national and state banks reporting to the Controller of the Currency, and the 12 Federal Reserve Banks, number 27,525.

Expert Market Opinion

Shonnard, Mills & Co.—Given a strong fundamental situation, the lack of public participation in the market, while encouraging bear attack, contributes to the strength of the market structure, though one cannot expect much of an advance without public interest. And we cannot hope for any public following until Washington's policies emerge from the formative stage.

Our conclusion, then, is that a trading position should be adopted. Specialties are likely to continue prominent, and speculative attention will probably shift from the securities of those companies subject to Government price control to those that are exempt. It is not probable that the rails will be taken up vigorously, however, until the industrial list has been thoroughly canvassed.

While the rails, in our opinion, present splendid investment opportunities, an advance in them will probably be limited by offering of stock now securing some of the British and French loans floated in this country.

Richardson, Hill & Co.—General realization of the possible consequences of drastic price fixing is becoming more acute, and neither the acceptance of moderate profits on war business nor the alternative of a long controversy between the manufacturers and the Government, is viewed as a constructive stock market factor. It is altogether probable that the days of great profits on strictly war business have passed. This need not blind the possessor of capital to the opportunities in many other lines of industry for which there is every promise of good business during the coming fall and winter. A favorable railroad situation together with interesting developments among industrial specialties should furnish material for a resumption of the August rise after the present readjustment. The importance of completing new financing before the second war loan is launched will be sufficiently appreciated to make probable a brisk output of short term notes or capital issues in the near future on the part of industrial companies which are burdened with unwieldy inventories at present carried by bank loans. If this is interpreted as an indication of weakness, further price unsettlement may result, but the situation as a whole appears sufficiently sound to warrant the expectation of ultimate improvement in the stock market, if Congressional action on important measures now under consideration does not prove too severe a curtailment of the potential earning power of corporate business.

Block, Maloney & Co.—The general banking situation appears to be somewhat stronger than might have been expected so soon after the flotation of one Liberty Loan and so near the possible time of a second. It seems to be the case that a very small proportion of the Liberty bonds is in the hands of the banks, which, of course, did not get as large a percentage of the quota they sought to buy as did individuals. It appears further that a reasonable amount of the bonds the banks did succeed in getting for themselves have been disposed of over the counter. Other market factors, apart from the overshadowing element of the war, are in a state of mid-summer quiescence.

Schmidt & Gallatin.—Stability of the financial markets in the face of peace rumors is a notable phenomenon; a decreasing minority of critics still claim that an advancing stock market is only possible in the event of continued shedding of blood, but a healthier and saner majority is convinced that indefinite prolongation of hostilities can only result in world-wide exhaustion and financial collapse.

The history of the Napoleonic wars teaches us that large speculation in stocks and commodities, while a usual concomitant of war, does not necessarily persist until the return of the world to normal custom and the occupations of peace. Insofar as our own immediate position is concerned, there is no doubt that industrial shares had long since discounted full measure of advantage which was to accrue from an inflated demand incident to the greatest calamity in history. Even before our entry into the war the markets for steel and copper had become seriously congested; enormous demands for supplies on the part of the U. S. Government accordingly precipitated an intolerable situation. High prices stimulate production, but there is a reasonable limit to this method of meeting an abnormal demand, for finally prices become prohibitive and the process defeats its own end.

The Business Situation

THE fact that there is some pause in the activity of general business this summer is shown in statistics by the decline in bank clearings outside New York for the last two months, combined with the further rise in the average level of commodity prices.

If bank clearings had fallen off and commodity prices had declined at the same time, such a condition would have been a natural result of summer dullness and would not have indicated any general business reaction. But the rise in commodity prices during June and July amounted to 6 per cent., and this would naturally cause an increase in bank clearings—since the clearings mostly represent payments for commodities, direct or indirect.

The fact that bank clearings outside New York, on the contrary, fell off 4 per cent. from May to July shows that the pause in business was due to something more than summer dullness. This is unquestionably due to two causes—hesitation pending the Government's price fixing policy, and some checking of consumption because of high prices and expected heavy taxation. It is worth noting that the English commodity index for Aug. 1 showed the first decline for a year.

Prices of iron, steel and copper have shown little change for the last two months. These and other industries are awaiting Government prices. The drop in U. S. Steel's unfilled tonnage now amounts to about 1,250,000 tons from the maximum at the end of April. It is to a great extent robbed of its usual significance by the fact that the corporation is holding back its capacity for Government use. The gain in iron production for July was unexpected and tends to relieve fears of iron famine.

Our net imports of $24,000,000 gold in June, after net exports of $5,000,000 in May, shed no particular light on the trade situation between the United States and foreign countries, but they do show that Britain is still willing to send us gold when needed here.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks.	Per cent Cash to Deposits New York Clearing-house Banks.*	Per cent Loans to Deposits New York Clearing-house Banks.*	Bradstreet's Index of Commodity Prices.	English Index of Commodity Prices.
Aug., 1917	5	5	†4.8	‡105.5	16.40	5,579
July, 1917	4¾	5	†5.4	‡104.1	16.07	5,646
June, 1917	5⅛	5	9.8	‡104.0	15.47	5,412
Aug., 1916	3¾	5½	15.2	96.0	11.44	4,204
" 1915	3⅝	5	19.9	93.5	9.82	3,281
" 1914	6⅝	5⅞	22.9	100.6	9.85	2,565
" 1913	6	4⅞	26.7	99.3	9.01	2,689

*Affected by the new Federal Reserve System. †Till money only now required.
‡Does not include Government deposits.

	Total Bank Clearings of U. S. (Millions)	Bank Clearings of U. S. Excluding N. Y. City (Millions)	Balance of Gold Movements —Imports or Exports (Thousands)	Balance of Trade —Imports or Exports (Thousands)	Building Operations, Twenty Cities (Thous'ds)	Business Failures Total Liabilities (Thous'ds)
July, 1917	25,667	10,482	.....	......	.....	17,165
June, 1917	26,734	10,635	Imp. 24,174	Exp. 269,000	36,762	14,872
July, 1916	19,366	7,928	Imp. 52,712	Exp. 261,991	87,947	10,902
" 1915	14,929	6,234	Imp. 15,071	Exp. 125,223	40,472	17,178
" 1914	14,493	6,312	Exp. 30,277	Imp. 5,538	50,617	25,441
" 1913	13,554	6,209	Exp. 794	Exp. 21,929	44,408	37,789

	Wholesale Price of Pig Iron*	Production of Iron (Tons) (Thous'ds)	Price of Electro. Copper. Cents.	Crop Conditions: Winter Wheat	Crop Conditions: Spring Wheat	Crop Conditions: Corn	Crop Conditions: Cotton
Aug., 1917	49.50	....	27.5	...	68.7	78.8	...
July, 1917	49.90	3,342	28.9	75.9	83.6	81.1	70.3
June, 1917	45.25	3,270	32.6	70.9	91.6	...	70.3
Aug., 1916	16.70	3,226‡	26.1	75.7‡	63.4	75.3	72.3‡
" 1915	13.71	2,563‡	16.9	84.4‡	93.4	79.5	75.3‡
" 1914	13.25	1,958‡	12.3	94.1‡	75.5	74.8	76.4‡
" 1913	14.06	2,560‡	15.4	81.6‡	74.1	75.8	79.6‡

*No. 2 Southern at Cincinnati. ‡July.

Sensational Earnings of Ind. Alcohol

The Company's Prospects in War and Peace

By **WILLIAM T. CONNORS**

THE statement of Horatio S. Rubens, chairman of the board of directors of the U. S. Industrial Alcohol Co., given out after the recent meeting at which the common stock was placed on a 16 per cent dividend basis—retroactive to cover the 1916 year also, making 32 per cent this year—contains a sentence of such sensational significance as almost to make the reader's "each particular hair to stand on end, like quills upon the fretful porcupine."

The sentence referred to is as follows: "Current earnings are not available for the reason that subsidiary companies have not yet reported, but it is understood that they are greatly in excess of those of 1916, when, *after increasing property account by* $13,086,522 (italics ours) there was earned $36.14 a share for the common stock."

It means, in a word, that Industrial Alcohol really earned about 99 per cent on its common stock in 1916, and that current earnings (before deductions for war taxes, presumably) are greatly in excess of that rate.

What the Balance Sheet Shows

Examining the company's income accounts and balance sheets year by year, we find no difficulty in harmonizing the two down to the end of 1915. For each of the five years 1911 to 1915 the company's yearly surplus above the dividends on the preferred stock—none being paid on the common stock—was carried forward, aside from minor changes in various items, to property account.

This is shown in the accompanying graphic. It is, of course, the natural condition of things. The money that any company earns above its interest and dividend charges has to go into its assets somewhere. In this case it went, broadly speaking, into additional property.

Up to 1914 the annual surplus was trifling and the gain in the property account correspondingly trifling. In 1915 the ordinary surplus was $1,752,000 and the surpluses of subsidiary companies acquired during the year totaled $2,235,000. The increase in property account was $4,431,000, or about $443,000 more than the gain in surplus—the difference being mostly accounted for by a decrease of $425,000 in net working capital during the year.

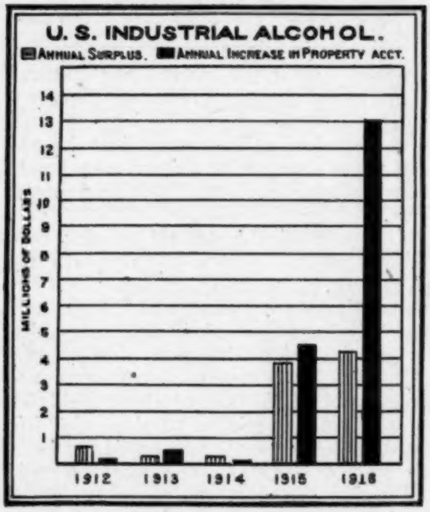
But when we come to the 1916 figures, presto!—a remarkable change. Out of a surplus of $4,336,000 for the year, the company increased its property assets $13,086,000! Truly an astonishing achievement.

Of this $13,086,000 about $5,557,000 was obtained from net working capital, which fell during the year from $4,299,000 to a deficit of $1,258,000. But where did the remaining $7,529,000 come from?

There is only one answer to this question. Money does not grow on bushes—even in the war balance sheets of industrial corporations. The company's property was increased approximately $7,529,000 *before* "operating income" was reported. This is, in fact, just what Mr. Rubens says, except that he does not happen to mention the decline of $5,557,000 in net working capital.

If, therefore, the earnings on Indus-

trial Alcohol common are calculated for 1916 on the same basis as they were calculated by the company in preceding years, they should be stated as approximately 99 per cent, instead of 36 per cent, as shown in the company's report. And the 1917 earnings are better still, Mr. Rubens tells us—but, of course, we do not know what part of these earnings may be taken by the Government as war taxes, or what price may be fixed for the company's product, so we are still



very much in the dark in regard to 1917 results.

The Standard Oil Policy

This is entirely in keeping with the usual methods of the Standard Oil interests, which now control Industrial Alcohol. It is their custom to charge as many improvements and additions to earnings as possible. The 1916 report of this company is merely an extreme instance of an established policy.

How much war earnings have thus accumulated to the credit of the common stock?

In 1913 this stock sold between 25 and 44. A mean price of 35 might reasonably be assumed as representing the market's valuation of this stock before the war, on average earnings of less than 4 per cent annually. In 1915 12.6 per cent was earned and in 1916, as shown above, 99 per cent. Hence, down to the end of 1916 earnings equal to something over 100 per cent on the common stock had been put into property account, which would give the stock a theoretical value of 135 to 140 at that time.

Present and Future Value

It is, perhaps, little use to guess at 1917 earnings after taxes. The officials state that additions to the company's property are practically completed, so whatever is earned will naturally accrue to the stock for the most part, instead of being reinvested in the business as in 1916.

The Government's price fixing policy will doubtless affect earnings for the last three or four months of 1917. A rough guess might be that the company may earn 80 per cent for its common stock this year, of which possibly half may be taken in war taxes. In the meantime, 32 per cent is to be paid out as dividends.

On this hypothetical basis, the stock should have behind it something like $150 of value per share at the end of 1917.

But when we get this far we still find that we are only at the beginning. We can easily see why Industrial Alcohol has been dubbed the "mystery stock," and why after selling at 170½ in 1916, it fell to 100½ last April and advanced again to 171½ in June. Pool operations have, of course, been partly responsible for these wild changes—and the latest gossip is, by the way, that the pool has liquidated its holdings around the high prices under cover of the beginning of the 16 per cent annual dividends.

But the reason why the stock is so susceptible to pool control is precisely because it is the "mystery stock"—because its future is so difficult to predict and because there is room for such wide differences in opinion as to its value.

The principal mystery lies in the great uncertainty as to the demand for industrial alcohol after the war is over. While the war continues there will be a tremendous demand for it, chiefly in powder making, in which it is an indispensable material. And here enters, of course,

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another uncertainty—the duration of the war—to say nothing of the uncertainties of price fixing and taxes, mentioned above.

Uses of Industrial Alcohol

The law permitting the manufacture of tax-free alcohol for industrial purposes went into effect in 1907. It is made bv fermenting and distilling various vegetable products—corn, barley, potatoes, sugar beets, rice, molasses, and many others—but molasses, which is now practically a by-product of sugar, is the cheapest source and seems likely to remain so.

The U. S. Industrial Alcohol Co., through its recently acquired subsidiary, the Cuba Distilling Co., has long-term contracts covering nearly all the molasses produced in Cuba at 5 cents a gallon. This makes the cost of industrial alcohol at the new Baltimore plant not far from 8 cents a gallon. New Orleans molasses is also used and the company has recently doubled its capacity at that point.

Industrial alcohol is used in making at least half the manufactured products of the country, but in most of them only in small amounts. Some of the most important industries using it are those making varnishes, celluloid, soap, lanolin, ether, chloroform, iodoform, dyes, drugs and chemicals, photography, gun powder.

We have seen that this company has nearly doubled its plant out of its profits. It has, in fact, more than doubled its productive capacity. Looking into the future of the company, the great question is whether there will be a sufficient demand for alcohol at good prices after the war to keep this additional plant busy.

At to this point the officials of the company seem to be confident, for Mr. Rubens says, "It has been decided to declare a dividend at a rate (12 per cent) which it now seems reasonable to expect can be maintained under after-the-war conditions, owing to the entry of the company and its various subsidiaries into additional fields of production which promise to be profitable under peace conditions."

On the other hand, many investors naturally ask, "If the company could not get enough for its product before the war to earn anything worth mentioning on its common stock, how can it find a profitable market for two or three times as much alcohol after the war?"

Alcohol vs. Gasoline

To keep its present enlargel plant busy after the war, the company will probably have to sell alcohol at a price to compete with gasoline, at least during periods of relatively dull business. In time, other uses for alcohol would doubtless absorb the whole product, but it is difficult to conceive how they can do so immediately after the war.

The supply of petroleum suitable for making gasolene must, of course, be limited—but no one knows where the limit is or when it will be reached. As to the demand for gasolene, that will depend in considerable part on whether kerosene can be substituted for it in gas engines. Half the mechanical experts in the motor world are trying to develop a satisfactory kerosene carburetor. If they get it, the day of industrial alcohol as a motor fuel will be further postponed. If they do not succeed, it is entirely probable that gasolene, even under peace conditions, will sell high enough to encourage the use of industrial alcohol in its place.

So, apparently Industrial Alcohol must remain to a great extent the mystery stock. There can be no doubt that after the war, with its improved plant, its practical monopoly of the business, its higher efficiency and its control of Cuban molasses, it will achieve much better results than before the war; but whether the rosy view of Mr. Rubens that the 16 per cent dividend can be permanently maintained, will prove correct, is one of those things that "no fellow can find out" at the present time.

The recent 32 per cent extra dividend declaration will bring the price of the stock close to 130, and at that price and paying 16 per cent per annum the stock does not compare favorably either from the point of view of earnings, surplus or assets, with U. S. Steel common paying at the rate of 17 per cent per annum.

Southern Pacific's Growth

Remarkable Strides Made by This Property in Last Few Years—Expects to Win Oil Land Suit, Which Would Add Millions to Assets—High Degree of Efficiency Has Kept Operating Ratio Low

By FRED L. KURR

ALTHOUGH E. H. Harriman is dead, the evidences of his great constructive genius still lives. Southern Pacific, which with Union Pacific formed the first railroad across the American continent, is perhaps the greatest tribute to that great railroad builder's foresight and judgment. Southern Pacific has grown and prospered not only because its lines traversed a territory capable of enormous development, but also because the Harriman genius for selecting men has given to this company capable management, without which its present prosperity would never have come to pass.

Chairman of the Board of Directors Kruttschnitt, the man selected by Harriman to direct the upkeep and operations of the entire Union-Southern Pacific system, is now at the helm of Southern Pacific and his policy of fair play for the shipper has given the company an enviable reputation as a business getter.

In the twelve months ended December 31, 1916, gross business totaled $163,427,423, as compared with $152,694,228 in the twelve months ended June 30, 1916. The best previous showing was $138,520,259 gross in the year ended June 30, 1914. It is true that unusual conditions due to the war have had considerable to do with this increase, but for the past decade the business of the road has shown a steady upward tendency, as a glance at the accompanying graphic will show.

Important Consideration

The important point to consider in regard to these increased earnings is that, in spite of the increased costs that the railroads of the country have had to face, a very considerable portion of the increase was saved for net. Thus in the 12 months ended Dec. 31, 1916, the company was able to report 12.98 per cent earned on the common stock, which is the best showing in its history.

Since the first of the year every monthly report has brought cheer to the stockholders with large increases in both gross and net. For the six months ended June 30, 1917, gross earnings were $18,500,000 ahead of the same period of the previous year and net earnings showed an increase of no less than $8,600,000. With very bright prospects of big traffic along its lines for some time to come it can be readily seen that 1917 will be by long odds Southern Pacific's banner year. If net earnings in the second six months of 1917 should only equal the net earned in the second half of 1916, Southern Pacific will show about 16 per cent earned on the common stock in the calender year 1917. It is expected, however, that the increases reported in net will continue, and it is not unlikely that as much as 18 per cent will be earned this year.

The present dividend rate of 6 per cent on the common stock was started in 1908 and in no year since that time has the road failed to earn its dividend with a good margin to spare. The smallest surplus after dividends in that period was in 1908, when $2,746,014 was left, after paying the 6 per cent. Since 1908 nearly $90,000,000 has been added to assets from earnings. About as much again was put into the property in money raised by the sale of securities.

That these millions were well expended is evidenced not only by the expansion in business, but also by the increase in efficiency. Operating ratio in the 1916 calendar year was 63.1 per cent, as compared with 66.9 in 1908 and an average for the ten years of about 63.5 per cent. This is a most excellent showing when the fact is considered that

costs have advanced greatly, such as wages, materials, etc. A glance at the accompanying table will show how operating expenses have been kept down. It will be noted that the average train load in four years was increased from 381.97 tons to 466.12 tons, or 22 per cent.

Financial Condition

Southern Pacific's financial condition is excellent. As of June 30, 1916, cash and demand loans totaled $17,373,671, and the net working capital was $17,187,491. At the present time the financial position of the company is probably much better, in view of the record earnings that have been reported since that date.

There is no reason to believe, therefore, that Southern Pacific will have any financing to do in the near future, surplus earnings should be sufficient to take care of any improvement program that might be adopted, the earliest maturity of any of its larger bond issues is 1929.

Land Holdings

As a straight railroad proposition, the facts already stated in this article would appear to indicate a very brilliant future for this road. It has shown steady growth and as the territory through which it goes has only begun to develop its possibilities, a continued growth is the logical thing to expect. Southern Pacific lines interlace the rich coast territory (see map) running from the Canadian border to the Mexican border and from there 1,242 miles into Mexico. From the Pacific Coast it runs east to New Orleans, where connections are made with its water lines to New York. From San Francisco it goes east through California, Nevada and Utah to a junction with the Union Pacific.

SOUTHERN PACIFIC

Traffic Statistics.

(Years Ended June 30.)

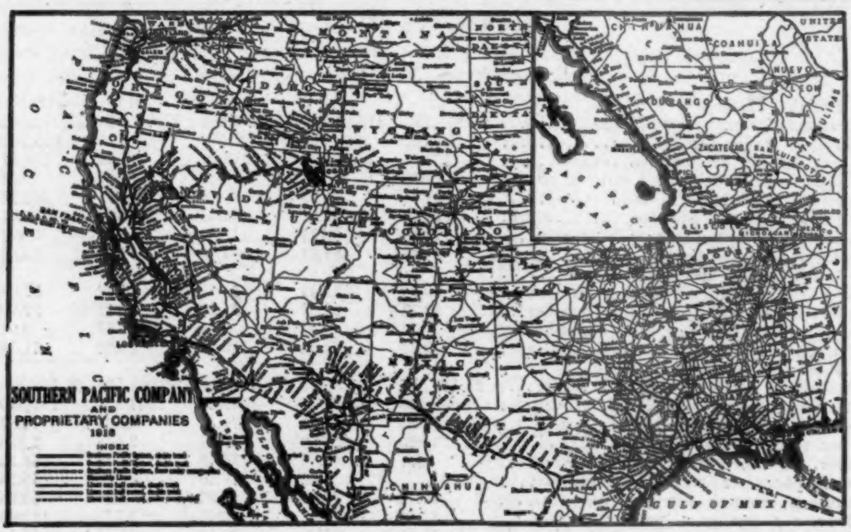
Freight Traffic—	1912	1913	1914	1915	1916
Revenue freight carried (tons)	26,950,150	31,642,587	32,599,138	31,857,039	37,322,383
†Freight traffic density	734,797	807,811	682,050	628,894	840,782
Aver. dis. per ton carried (miles)	228.03	222.30	218.05	208.35	246.81
Freight train mileage per mile of road	1,448	1,752	1,681	1,561	1,803
Average revenue train load (tons)	381.97	388.92	405.30	402.62	466.12
Average revenue per ton	$2.66	$2.50	$2.41	$2.29	$2.41
Aver. rev. per ton per mile (cents)	1.168	1.123	1.104	1.099	0.977
Freight revenue per train mile	$4.42	$4.33	$4.44	$4.39	$4.52
Car Loading and Movement—					
Aver. rev. freight per loaded car (tons)	20.06	21.32	21.15	20.78	22.89
Aver. loaded cars per train (number)	22.72	21.61	22.28	22.32	22.99
Aver. empty cars per train (number)	8.79	9.81	9.35	9.64	9.04
Per cent. of loaded to total car mileage	72.10	71.04	70.45	69.84	71.76
Passenger Traffic—					
Passengers carried (number)	22,185,607	23,053,383	22,486,902	19,901,186	22,170,740
†Passenger traffic density	165,126	163,787	153,426	141,574	157,576
Aver. dis. per pass. carried (miles)	74.25	73.26	71.11	75.08	78.33
Pass. train mileage per mile of road	2,326	2,768	2,797	2,643	2,888
Aver. pass. per train mile (number)	....	62.75	58.48	53.56	58.23
Aver. pass. per car mile (number)	....	10.65	10.40	9.70	15.34
Average revenue per passenger	$0.98	$0.98	$0.92	$0.87	$0.86
Aver. rev. per pass. per mile (cents)	2.208	2.248	2.247	2.173	2.069
Passenger revenue per train mile	$1.65	$1.64	$1.34	$1.51	$1.46

†Representing the tonnage of freight and the number of passengers carried one mile per mile of road operated.

Outside of its splendid railroad system, Southern Pacific possesses other possibilities that may in the future prove very valuable to its stockholders.

When the project of the first transcontinental line was broached to the United States Government, it was naturally given every encouragement. In view of the fact that the line would have to go through miles of territory practically uninhabited certain compensations were offered. Alternate sections of lands were deeded over to the company by the

Government and of this land 13,377,308 acres were still owned by the company as of June 30, 1916. About 100,000 acres are located in the rich California oil fields. A suit was started several years ago by the United States Government to take away these lands. The case finally came to the Supreme Court and that body upheld the company's title in all respects except one. That point was to the effect that, if the company knew when they accepted the lands that they contained oil and concealed the fact from the Government during the six-year period which the grant allowed the Government for efforts to recover the lands, these lands could now be confiscated. The officials of the company have stated that they are sure no such fraud was perpetrated and are very optimistic that they will win the suit that has been brought on these grounds.



The value of these lands have in the past varied from $1,000 to $5,000 an acre, and, at the present time, are much nearer to the latter than the former figure. It is quite possible that these lands may yield a half a billion dollars if Southern Pacific retains possession. Conservatively they should be worth at least $250,000,000. When it is considered that Southern Pacific's outstanding stock only amounts to $272,822,906, it can be seen what a big melon this may turn out to be. These lands being in dispute, Southern Pacific does not at the present time include them among its assets.

Central Pacific

The Central Pacific is the road owned by Southern Pacific connecting San Francisco with the western terminus of the Union Pacific. The Government has brought suit to compel the company to dispose of this branch of its system, on the ground that it is a competitive road, as it parallels Southern's line about 800 miles south and thus violates the Sherman Law. The case will come before the United States Supreme Court in about a year's time. It is felt that Southern Pacific will win this case for if the Court will declare for a disintegration so extreme, it will mean that almost every important system in the country will be subject to further disintegration. Even should the Central Pacific be lost, it should not materially hurt Southern Pacific as it would be sold for a good price, probably $100,000,000, and the sunset route to the east would still remain.

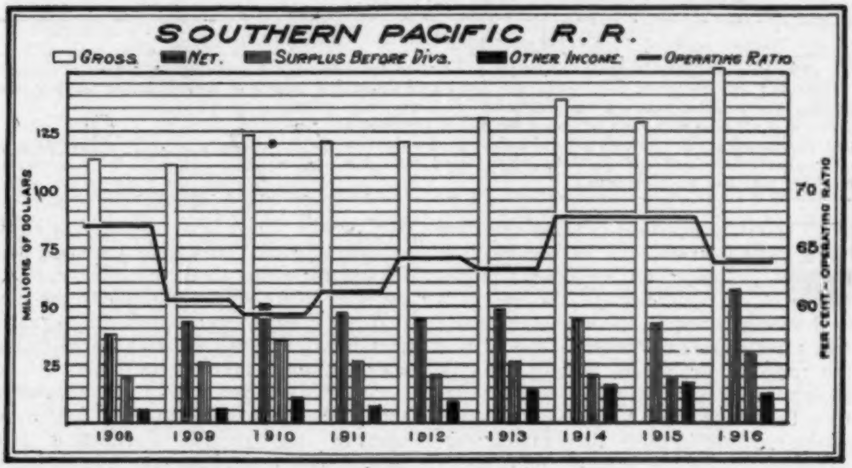
Another point to consider in regard to the future of this system is its Mexican lines. These 1,242 miles are now con-

tributing nothing to earnings. The Mexican chaos cannot last forever, and when once more order is restored, these lines are quite sure to become an important source of revenue.

Position of Securities

Southern Pacific stock, paying 6 per cent, would appear at present levels to be comparatively low in price. In 1910, for example, when 12.3 per cent was earned on the stock, it sold up to 138¾ and did not go below 103¼. In 1911 it did not sell under 104½, and in 1912 under 103½. Yet earnings at the present time are far ahead of the earnings in the years mentioned. The explanation is due, in the first place, to the fact that railroad stocks were in much more favor in those years than they are at the present time, and, in the second place, to the fact that the war has caused the selling of railroad stocks held abroad.

Southern Pacific stock would appear to be selling at a lower price than it is intrinsically worth and can be regarded as an attractive long pull investment. Its 6 per cent dividend looks very secure. As to an immediate advance of any importance, however, there are many factors against it. The billions of Liberty Bonds still to be floated will unquestionably cause the selling of investment issues, such as high grade railroad stocks and bonds, and this liquidation, even though gradual, will operate against any substantial upward move, even though earnings and prospects would appear to justify higher prices.



Southern Pacific's 5 per cent bonds, which are convertible into stock at par, are a very attractive security. They are a secure investment and at the same time offer the possibility of a good profit in the future, because of the convertible privilege. These bonds have recently been strong, advancing from 97 to 99.

Railroad Rates and Rebates

Physical Valuation—British Cheap Trains Act—Demoralization of Railway Finance—Waste Due to Restrictive Legislation—Unregulated Rates Drop Naturally—Regulation Prevents Reduction—No Relation Between Capitalization and Rates—Insurance Value—Commodity Rates—Railroad Rates and Labor

By GUY MORRISON WALKER

Author of "Measure of Civilization," "Railroads and Wages," "Trust Companies," "What Shall We Buy?" Etc.

Part III—Regulation Versus Rates

[The previous articles have shown how railroad rates were first made up by a sum of charges for various services; that rate reduction developed through a system of consolidating services and sharing the burden between the railroads and the shippers; that all rate reduction has been by means of rebates, that command of the markets has depended on the mastery of transportation, and that regulation has raised rates and retarded railroad development.]

Guy Morrison Walker

A BILL has been passed and our Government is undertaking, at an enormous expense, a physical valuation of the railways in the United States, the argument being that rates should be based on the cost of the railroad, or, where that can not be ascertained, on its value. I want, therefore, to call attention to the capitalization of the railways in the United States compared to that of the leading countries of the world with whom we compete.

Foreign Railroad Capitalization

The average capitalization of railways in Germany is about $115,000 per mile; in France the railway capitalization is $145,000 per mile; in Belgium and Holland a little over $150,000 a mile; in Italy, $125,000 a mile; in all of Great Britain the average rises to the extremely high figure of $275,000 per mile, while for England and Wales alone it rises to the truly enormous figures of nearly $330,000 per mile. In contrast with these figures, our American railroads are capitalized even at the present time, after seventy years of improvements and betterments, at less than $60,000 per mile.

There is, as you shall see, a reason for this truly remarkable contrast. No one will pretend that English railways are five or six times better than American railways, or that they give a service better in proportion to their higher capitalization. The difference is due to the fact that the English began earlier to regulate and interfere with natural normal free competition in railroad traffic.

As early as 1840, within ten years after the first commercial railway began to operate, the British Parliament had passed over three hundred railway regulation acts. In 1872, a Parliamentary Committee reported that there was at that time in operation more than three thousand special acts of Parliament relating to railways, and since that time legislation has piled up at the rate of one hundred acts per year.

Cheap Trains Act

In 1844 the British Parliament passed what was known as the "Cheap Trains Act" to regulate the charges of transportation on railroads, This act required every railroad in England to run a train each way daily at an average speed of not less than twelve miles an hour and to carry passengers in covered wagons for not more than a penny, or two cents, a mile for third class transportation, but most important of all there was a provision that has had more to do with the conditions under which railways have

grown up in England than anything else. It was nothing more nor less than an attempt at physical valuation and the regulation of rates based upon such valuation.

This Act of 1844 provided that in the future if at any time the profits of any British railway exceeded ten per cent. on the capital invested in it, it might be bought by the state at a valuation to be computed as follows: The net earnings of the railway for three consecutive years were to be taken and averaged and the valuation of the railway was to be twenty-five times this average annual net earning.

This law still stands. Its provisions have never been applied, for the simple reason that the railway companies, in order to prevent their property from being taken away from them, began to disguise the real extent of their profits. With a penalty facing them for economy and efficiency, they became extravagant. Expensive methods of operation were permitted; no allowance was made for depreciation or obsolescence. All disbursements for maintenance or up-keep, which in our American practice are charged out of earnings as part of the cost of operation, have under the English system been charged to capital in order to inflate the capital amount of the company and thereby reduce the percentage of profit and keep it below the 10 per cent. point at which the government right attached.

A Demoralizing Influence

This act has been the supreme demoralizing influence in railway finance in England. To it is due the continued increase of British railway capitalization until now it is nearly three times as high as the average capitalization of Prussian railways and nearly six times as high as the average capitalization of American railways. In the past twenty years the average capitalization of all British railways has risen from $200,000 per mile to over $275,000 per mile; or, in other words, the mere increase per mile in capitalization of British railways, brought about by their system of legislative regulation and of interfering with their operation, has equaled one and one-half times the total capitalization per mile of American railways.

It has retarded the construction of railways built in Great Britain to such an extent that the total mileage of railways built in Great Britain in the past 35 years is less than we have built in the United States in a single year. You must not suppose that Englishmen have been blind to the effects of this legislation. As early as 1856 Robert Stevenson, the son of the inventor of the steam locomotive, in his inaugural address as president of the British Engineers' Association, said:

"Little more than a quarter of a century has elapsed since parliament first began to legislate for railways, but in this period a multitude of laws has been placed upon the statute book, which will certainly excite the wonder, though it may fail to be the admiration, of future generations."

Stevenson called attention to the fact that at that time the London and Northwestern Railway was regulated by no less than 187 different acts, adding that it was not so much the number of the statutes, regarding railways that excited surprise, but that the extraordinary feature of this legislation consisted in the anomalies, incongruities, irreconcilabilities and absurdities which prevailed in this mass of legislation.

Gladstone's Mistake

You will undoubtedly be surprised when I tell you that Mr. Gladstone himself was the chairman of the parliamentary committee that suggested, drew up and secured the passage of the Railway Act of 1844 limiting the profits of British railways to 10 per cent. on their capital. But he lived to see his mistake. At a meeting of the Cobden Club some 25 years afterward he made an address estimating the waste on British railways up to that time as the result of ill-advised legislation at the then enormous sum of £200,000,000—$1,000,000,000—or an amount which at that time equaled $60,000 of waste for every mile of railroad then in existence in Great Britain.

In other words, the waste that had been brought about in Great Britain by foolish and unreasonable legislation, had cost English railroads in 25 years more for every mile of track in the United Kingdom than the average capitalization per mile of American railroads at the present time. Gladstone also quoted with approval the recommendation of Robert Stevenson that England might well sweep the whole of her railway legislation from her statute books and legislate afresh.

At this time, Parsloe, an eminent authority, contrasting the conditions of railways in Great Britain with those in the United States, said:

"The Americans have been able to obtain the necessary authority from their government to build their railways without unreasonable delay or expense. Enterprise in America has had a free course, with the result that our cousins across the Atlantic have now a length of railway more than sufficient to twice girdle the earth, a mileage equal to that of all the seven great powers of Europe combined."

Remember, this statement was not written recently with any idea of its possible effect upon present conditions or proposed legislation, but was written 35 years ago, before present conditions could possibly have been anticipated.

Crystallized Rates

Government legislation and regulation have always operated to crystallize rates. When such regulation has reached its highest development railroad rates cannot be changed without calling into play an elaborate mechanism.

In Germany and Belgium and France it required the meeting together of a general advisory council and a general tariff committee. These bodies are composed of various government ministers, representatives of chambers of commerce, of industrial and agricultural societies, and are so large as to be unwieldy.

They claim that through their deliberations the rates are adjusted for the best interests of the country, but the fact is that in their deliberations so many contending interests are represented that many districts have to suffer because of the opposition of other districts to rate adjustment that would benefit them in competition with their rivals. The business associations of Germany vigorously assert that their rates are held at too high a level. In France the periods of time required for the deliberations of the consultative committee and the securing of ministerial approval are so long that the occasion for the making of a new rate has usually passed long before the decision thereon has been reached.

The effect of legislative tampering with rates is no better illustrated than in the case of the New York Central. When the New York legislature, over 40 years ago, passed the law authorizing the consolidation of several small roads up the Hudson and through the Mohawk valleys in New York into the New York Central and Hudson River Railroad, the passenger rate was fixed by law at two cents a mile, while the sapient legislators did not attempt to fix the freight rates.

Results, After Forty Years

The result is that now, after over 40 years, passenger rates fixed by law at two cents a mile, remain today at two cents a mile without any reduction, while the freight rates, which at that time were over three cents per ton mile, and were left by the legislators without compulsory reduction, have been voluntarily reduced by the railroad company in order to get business in competition with other railroads to little over one-half a cent per ton mile, or about one-sixth what the rate was 40 years ago. Wherever the thing has been tried, the result has been the same.

In 1877 the Legislature of Texas reduced the passenger fare from five cents to three cents per mile. The average freight rate in Texas at that time was three and one-third cents per ton mile. Texas passenger rates are still three cents a mile, but the average passenger revenue per passenger mile in Texas is only about two and one-half cents, because much of their passenger traffic is through business on which they willingly accept about two cents per mile. But the freight rates with which the Legislature in '77 did not interfere were by 1910 reduced to nine mills per ton mile, or little more than one-fourth what they were thirty-six years ago

Wherever legislation attempts to interfere with or regulate rates, it tends to maintain rates at the maximum allowed by law and operates to prevent any further reduction while without legislation, competition requires the strictest economy and stimulates the highest efficiency with the result of steadily lowering rates.

If you will compare the capitalizations of the different countries in the world with the freight rates in those countries, you will see that there is absolutely no relation between capitalization and freight rates. If there were, the high capitalization in England would require a freight rate so high as to be practically prohibitory and so put an end to traffic entirely. English capitalization is six times as high per mile as American capitalization, but English rates are less than three times as high as American rates. Here at home our Eastern roads are capitalized twice as high per mile as are our western railroads, but in order to live at all our western roads are compelled to charge twice as high a rate per ton mile as the eastern railroads, while the eastern roads with a capitalization twice as high as the western roads are prosperous with a freight rate only one-half as high. The truth is that freight rates must be placed at the figure at which the maximum amount of traffic will move, and this regardless of whether the capitalization is high or low.

Long and Short Hauls

There is a feature, however, of this in connection with Great Britain that illustrates again the necessity for a distinction of rates between long and short hauls. In Great Britain the shortness of the average haul, in fact, the comparative shortness of the maximum possible haul, makes the maximum cost of transportation a comparatively small item in the total cost of the finished product, even though the freight rate is three times as high as it is in America, but English legislation has resulted in forcing on their railway companies such financial practices that even with these enormously high freight rates the English roads find it difficult to earn more than three and one-half per cent on their enormous capitalization.

There is a feature of rate making that has been more or less ignored, and that is the insurance value of transportation service. A common carrier is responsible for the safe delivery of freight delivered to it for transportation, and it would be manifestly unfair to require a railway company to pay $6,000 for the loss of a carload of clothing or $600 for the loss of a carload of wheat, if it had received only the same amount of freight per car for the clothing or the wheat that it received for a car of coal that was worth only $50, or $60.

Freight rates must be based on what it is worth to move the commodity offered. Obviously they cannot be higher than that product can afford to pay, for if they were it would not move and there would be no traffic in that particular kind of product at all. If you were to attempt to make a flat freight rate on the basis of what is now our average freight rate, you would find at once that all the traffic that

is now being moved at three or four mills per ton mile would cease being moved. That would mean the practical cessation of all freight in ore, stone, sand and the curtailment of the use of coal to within a comparatively limited radius about the mines. This would mean an enormous falling off in the volume of freight traffic.

The loss of the freight in these lower classes would make necessary the raising of the rates on the traffic that was left, and this would automatically put a stop to the movement of the next grade of traffic, which could not afford to be moved at the increased rate.

I want to lay stress upon this point, for this is exactly what is now being attempted by the foolish and inexpert railroad operators, assisted by the railway unions, who have joined in a conspiracy with the railroad operators to raise the price of transportation to the country at large, the understanding being that this increase is to be divided between the railroad companies and their employees, but the results to the rest of the country have been carefully concealed from the public.

The freight charges of railroads are taxes inexorably collected, on every product of human labor, collected by a natural law that can only be escaped by the laborer consuming his own product. The raising or lowering of railroad rates, therefore, vitally affects all labor dependent upon the railroads for the market of its products.

Burden on Trade

The result of the present project can only mean the imposition of an additional burden on trade and on the products of labor. It means the narrowing of markets, the curtailing of the product of labor, and for the rest of the country, except railroad employees alone, lower wages and lower standards of living, which will soon react upon the railroads themselves and shortly thereafter upon railroad employees.

I wonder if you realize the extent to which our present railroad systems are the result of consolidations and how much the reduction of railroad rates has been due to economies growing out of the reduction of management charges by the consolidation of many small companies. Your attention has already been called to the consolidation that resulted in the creation of the New York Central and Hudson River Railway system. The New York, New Haven and Hartford as it now stands consists of the properties formerly built, owned and operated by 189 different companies. The Boston and Maine is composed of pieces of property that were built and operated by over 200 different companies.

The reduction in railroad charges and the economies secured in railroad management by the consolidation of railways during the period from 1873 to 1879, a time when the rest of the country was in the throes of a panic, amounted to the enormous sum of one billion dollars in freight charges alone. It may well be argued that the reduction in freight rates of this enormous sum, with the consequent impetus given thereby, to manufacturers and the relief to producers of farm products, was more than any other single influence the cause of recovery from the panic and of the prosperity that followed.

Great Northern's Charges

In 1882, when the Great Northern Railway began operation, its ton mile charges on farm products and timber from the Northwest was two and one-half cents per ton mile. In twenty years this had fallen to less than one-third, or about eight mills per ton mile. In this latter year, at the then low rate, the gross earnings of the Great Northern amounted to $31,000,000. At the rate which prevailed twenty years before, the money taken from producers and shippers along the line of the Great Northern for handling this same amount of traffic would have amounted to ninety-one millions of dollars. The voluntary reductions in freight charges by the Great Northern, made possible by the highest economy and efficiency, saved to the patrons of that line the sum of $60,000,000 in a single year. This capitalized at six per cent means that through the economy and efficiency of the management of the Great Northern Railroad there was added in a single year to the values of the lands and products raised in the territory served by it the enormous sum of one billion dollars.

Throughout our western country the agricultural era is succeeding the grazing era. Every panic has been followed by a human swarming to the west. When the conditions in the east become hard, the people swarm out to the region of cheap lands, where on a few acres a man may at least make a living for himself and his family. The panic of '73 peopled the area just beyond the Missouri River. The panic of 1893 poured a myriad of farmers into the territory tributary to Kansas City and Omaha, but there can be no market and no profit in farm products unless the transportation charges are low enough to carry these products to the place where they can be consumed.

Figures recently prepared by the Department of Agriculture show that the average cost of hauling farm products from the farm to the railroad station, an average distance of less than ten miles, amounted on grains, like wheat, corn and oats, to about ten cents per one hundred pounds. In the case of cotton and some other products, it ran as high as sixteen cents per one hundred pounds, while the same report showed that the average rail and ocean rate on grain from St. Louis to Liverpool was less than 15 cents per one hundred pounds.

(To be continued)

Bargain Indicator on Industrial

Note.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth, as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

	Present Div. Rate	Dividend Yield on Present Price	Dollars Earned Per Share 1910	1911	1912	1913	1914	1915	1916	Present Price	Earnings Last Fisc. Year on Present Price	INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.
Maxwell Motor com..........	$10	29.4	.....	.....	.....	.....	0.30	6.55	30.18	34	88.76%	Suspension of com. and 2nd pfd. div. expected.
Butte & Superior............	5	13.2	.....	.....	.....	3.47	5.21	33.37	31.79	38	83.65	
U. S. Smelt. & Ref. com.....	5	8.9	4.46	6.48	14.42	10.08	3.21	27.85	40.99	56	73.19	Control of two new properties secured.
Bethlehem Steel com........	10	8.5	6.45	6.69	6.86	27.45	32.59	112.49	82.25	118	67.64	Excess tax estimated at $17,000,000.
Amer. Zinc com............	4	16.7	9.16	8.90	8.10	.....	1.53	54.92x	16.00	24	66.83	Net profits estimated at $3,000,000 for 1917.
New York Air Brake........	10	7.4	4.48	0.48	5.72	6.55	6.41	13.43	82.15	136	60.40	Government orders amount to approximately $6,000,000.
International Mer. Mar. pfd..	0	0.0	8.27	8.15	7.32	4.44	.....	26.26	51.23	88	58.21	Liquid assets for pfd. $221 and com. $35—estimated.
Crucible Steel com..........	0	0.0	7.39	3.37	6.81	12.84	.....	5.39	45.89	81	56.65	Liquidation of 24½% in accrued div. on pfd. during year.
Amer. Loco. com............	5	7.1	1.34	7.26	0.47	17.74	1.30	.....	36.08	70	51.54	Government order of 150 locomotives.
Studebaker com.	4	7.5	.....	.....	4.89	3.11	12.71	27.49	26.14	53	49.30	Dividend reduced to four per cent.
Cuba Cane Sugar com........	0	0.0	.....	.....	.....	.....	.....	.....	17.36	40	43.40	Earnings for the grinding season disappointing.
General Chem. com..........	8	3.7	19.52	19.77	21.72	19.19	18.73	44.27	86.76	217	39.98	Earned $31.47 per sh. on com. 6 mos. to June 30.
U. S. Steel com............	5	4.0	12.23	5.92	5.71	11.02	.....	9.96	48.48	122	39.81	Extra common div. declared of 3%.
Railway Steel Spring com....	5	9.6	6.00	0.18	5.77	1.31	.....	3.09	20.49	52	39.40	Plants at full capacity.
Distillers' Securities	2	7.4	2.40	2.95	1.62	1.17	2.28	4.64	10.30	27	38.14	Earned 3% on stock to June 30, 1917.
Central Leather com.........	5	5.5	.....	.....	8.58	5.18	6.41	10.82	33.14	90	36.82	Will profit from foreign business.
Greene Cananea Cop.........	8	19.1	.....	.....	4.31	2.33	1.97	1.04	14.10	42	33.57	Paid regular dividend in spite of Mex. trouble.
Nevada Consolidated Cop.....	2	8.7	1.45	1.85	2.18	1.45	0.74	2.78	7.50	23	32.69	Has no transportation costs. Railway shows a profit.
Anaconda Copper	8	10.3	1.62	1.85	3.65	2.61	1.88	7.16	24.35	77	31.62	July production shows decrease.
Barrett & Co. com..........	7	6.5	.....	11.66	11.11	15.61	10.31	21.19	32.10	108	29.72	Earnings normal.
Amer. Smelt. & Ref. com....	6	5.9	7.09	10.90	11.47	7.47	6.51	16.80	29.75	101	29.45	New 5% bonds to be listed.
Amer. Steel Foundries.......	5	7.3	.....	6.00	.....	4.53	6.01	.....	19.89	68	29.25	To retire 1st mtge. 6% bonds. Earnings record breaking.
U. S. Rubber com...........	0	0.0	10.24	2.19	6.00	12.19	9.18	10.80	17.75	61	29.09	Surplus 3 mos. to March 31, $905,396.
Am. Woolen com............	5	9.3	2.23	2.12	2.01	.....	.....	6.40	15.32	54	28.37	New plant leased.
Sloss-Sheffield com.	0	0.0	2.02	.....	0.84	2.09	0.21	0.53	15.22	55	27.67	Earnings and business good.
National Enam. & Stamp. com.	4	9.5	0.99	1.09	.....	1.05	.....	2.02	11.60	42	27.61	3 mos. profits at rate of $29 on com. per share.
Chino Copper	6	10.9	.....	0.17	2.80	3.51	3.44	7.67	14.76	55	26.83	Earnings at rate of $14 per share.
Gulf States Steel com........	8	6.9	.....	.....	.....	.....	.....	10.17	30.25	114	26.53	Earnings show increase.
B. F. Goodrich com..........	4	8.3	.....	.....	0.34	0.83	5.62	17.17	12.76	48	26.17	Production costs increase.

Va.-Carolina Chem. com.	3	7.5	10.42	3.11	3.28	0.53	3.39	7.55	10.39	40	25.97	Earned $10.91 per share on com. year ended May 31.
Ray Copper	3	10.7	.....	0.25	1.33	1.85	1.65	3.08	7.14	28	25.50	Output increasing.
Miami Copper	6	15.8	.....	0.74	2.81	1.75	1.65	4.56	9.36	38	24.63	Flotation values in June, $377,968.
Allis Chalmers pfd.	7	8.1	.....	.....	.....	4.77	.....	6.80	19.97	86	23.22	Earnings at rate of 21.29%.
Utah Copper	10	9.6	3.46	3.96	5.35	5.38	5.34	11.03	24.00	104	23.07	Mining 38,000 tons a day.
Amer. Agriculture Chem. com.	5	5.5	10.42	9.05	7.34	5.23	7.68	10.97	20.57	90	22.85	Earnings good.
U. S. Ind. Alcohol com.	16	16.0	2.00	4.00	5.00	1.89	1.90	12.60	36.00‖	160	22.50	Placed on 16% dividend basis.
Continental Can	5	5.1	.....	.....	.....	12.10	4.09	12.10	22.38	97	22.07	Business good. Plants at capacity.
Corn Prod. pfd.	7	7.2	7.00	7.10	6.89	7.69	7.70	10.59	20.39	97	21.02	Earned 24.01 on pfd. 6 mos. to June 30.
United Fruit com.	8	5.9	26.80	17.41	16.39	14.53	6.19	16.12	27.97	134	20.99	Net profits at increased rate over 1916.
Willys Overland com.	3	9.4	.....	.....	.....	4.61	4.33	11.34	6.63	32	20.71	Government orders. Business good.
Pressed Steel Car com.	7	9.5	5.55	0.14	0.76	10.56	0.14	3.60	15.00	73	20.54	Business good.
Westinghouse Elec. com.	3½	8.4	3.75	6.05	3.08	4.10	5.35	2.36	10.21	50	20.42	Received $12,000,000 from Great Britain on munition orders.
U. S. Cast Iron Pipe pfd.	5	9.1	4.35	3.88	5.69	4.50	.....	2.55¶	10.91	55	19.83	High prices check demand.
Am. Hide & Leather pfd.	5	7.8	.....	0.80	3.22	3.66	0.83	7.38	12.64	64	19.75	Will profit from foreign business.
Inter. Paper pfd.	6	5.7	4.54	4.61§	5.35	4.44	5.08	5.44	20.62	105	19.63	Turning from newsprint production.
Inter. Har. N. J. com.	5	4.5	15.79	15.09	16.18	15.54	14.41	16.19	21.45	111	19.32	Good domestic business.
Am. Can pfd.	7	6.5	6.85	7.07	15.86	9.66	10.61	12.19	19.31	108	17.87	Profits large.
Int. Nickel com.	6	15.0	4.32	7.75	5.89	4.35	2.80	3.33	6.83	40	17.75	New construction work progressing.
Am. Cotton Oil com.	4	10.0	6.78	.....	6.49	3.38	1.99	7.05	6.99	40	17.47	Material costs higher.
Int. Agr. Chem. pfd.	0	0.0	10.05	11.39	11.22	.....	0.65	.....	9.80	58	16.93	Earnings from sale of phosphate rock this year.
Cal. Petro. pfd.	4	8.0	.....	.....	.....	11.69	11.49	7.80	8.44	50	—16.88	Earnings good.
Sears Roebuck com.	8	4.7	20.47	15.96	19.34	21.17	21.30	17.57	26.55	167	15.89	Sales increasing.
Mex. Petroleum com.	0	0.0	.....	4.89	5.90	11.58	4.68	5.12	15.83	95	15.61	
Am. Beet Sugar com.	8	8.5	7.11	6.60	8.46	3.87	1.01	7.50	14.30	94	15.21	
Amer. Sugar Ref. com.	7	5.7	3.98	15.61	5.23	.....	2.90	4.99	18.46	122	15.13	To erect new warehouse.
Am. Linseed pfd.	3	4.7	4.30	2.59	.....	2.96	1.83	6.02	8.82	64	13.78	
Pittsburgh Coal pfd.	5	5.8	7.26	5.14	7.48	10.07	5.06	6.11	11.64	87	13.37	U. S. Steel contract adjusted on sliding scale basis.
Woolworth, F. W., com.	8	6.4	.....	.....	8.73	10.82	10.86	13.19	15.57	125	12.45	Sales increasing.
Col. Fuel & Iron com.	0	0.0	3.93	3.21	4.79	4.58	.....	.....	5.97	48	12.43	Record earnings.
General Electric	8	5.1	16.69	14.57	16.19	12.88	11.12	11.57	18.31	155	11.81	Working capital demands replenishment.
National Lead com.	4	7.2	4.32	3.59	3.81	3.64	3.73	4.86	6.16	55	11.20	Business good, earnings normal.
Am. Tobacco com.	20	9.4	86.30	64.40	30.39	28.11	21.00	20.10	22.70	211	10.75	June sales at new high record.
Burns Bros. com.	6	6.2	.....	.....	.....	4.41	8.40	12.11	10.03	96	10.44	New additional com. stock to be listed.
Baldwin Loco. com.	0	0.0	.....	.....	11.49	13.09	.....	7.14	6.10	70	8.71	Government order for 150 locomotives.
Nat. Biscuit com.	7	6.9	7.68	9.86	10.00	9.61	11.75	9.52	8.19	101	8.10	Building new plants in Pittsburg.
Tobacco Products com.	0	0.0	.....	.....	.....	0.30	1.03	2.31	5.44	70	7.77	Earned $10 per share on com. to June 30, 1917.
United Cigar Stores com.	8	6.5	.....	.....	5.75	6.83	7.09	7.69	9.48	122	7.77	General readjustment of prices.
Pullman Co. com.	8	5.6	13.93	9.28	8.69	9.29	9.04	8.79	10.32	142	7.26	Order of 25 steel cars.
Am. Malt pfd.	4	5.7	1.68	5.29	5.61	2.79	2.29	0.08	4.54	70	6.48	Payment of 33⅓% in accum. div. considered.
Amer. Car & Fdy. com.	4	5.3	6.63	7.11	2.46	4.09	5.52	0.76	27.37	75	3.64	Prospects for increased earnings not bright.
Great Northern Ore	0	0.0	1.36	1.53	1.75	0.71	0.54	0.70	.....	33	2.12	

x Paid 12.50 pfd. stock dividend to common holders 1916, thus lowering earning power of com. for 1916 to be announced later.

¶ Fiscal year changed to Dec. 31. Seven months' earnings to Dec. 31, 1915, increase 2.55%.

§ Six months ended Dec. 31.

‖ Includes earnings Cuba Distilleries' Co., not included previous years.

Figures of earnings on price and dividend rate which are based on 1915 earnings reflect the 1916 earnings to be announced. All figures below black line based on 1915 earnings—1916 earnings not announced at time of going to press.

What Every Investor Ought to Know

Fundamentals of Corporate Finance—When a Bond Issue Is Necessary—How It Is Underwritten and Marketed

By JAMES KENNEDY

[This is the first of a series of articles about a corporation invented for the purpose of illustration, designed to present to the business man and investor certain elements about which he should be well informed. Almost all authors have discussed this subject in a highly economic manner. It is the purpose in these articles to be extremely elementary—the very A B C of the subject.—*Editor.*]

THE Great War had demonstrated the efficiency of the aeroplane. Men with ability and foresight —also capital—realized the profitable future for this aircraft business. It was for this reason that the Phantom Aero Co. was formed.

During the first few years of existence, this new company experimented, changed and reorganized. Incorporated under the laws of New Jersey, there existed a capital account of $25,000,000, half preferred stock and half common stock. In 1917 the great test came. The United States Government entered boldly into the world struggle, and the great need was for aeroplanes. The Phantom Co. had not made money. Its both classes of stock had sold far below par. The seven per cent preferred had never paid a dividend, and the common had been the football for speculative operations. The advent of aeroplane demand had created new possibilities and eager investors had purchased both classes of stock until the preferred was quoted at 60 and the common at 15. The credit of the company had advanced on account of new conditions.

The affairs were conducted by the officers, elected by a board of directors, who, in turn, were elected by the stockholders. The present set of officers happened to be efficient. At a meeting of the board of directors, President Smith spoke.

"Gentlemen, this company must grow. We have the patents and the manufacturing plant; we also have the orders. But, it is costing us too much to do business, as we lack sufficient working capital. We are paying an exorbitant rate of interest for loans and our credit is limited on account of the small deposits we carry. What must be done? What can you propose to give us an opportunity to make large profits for our stockholders?"

The treasurer, a comparatively young man named Brown immediately suggested,

"Bonds!"

"We need at least $5,000,000 working capital," he said, "and this is costing us over 6 per cent., or about $320,000 each year. Our credit is now excellent among investors, and I believe that we will save money by issuing a 5 per cent bond."

The directors decided upon this method of financing, and the plan was presented to a meeting of the stockholders. Over 50 per cent of the stockholders endorsed and voted for this issue for the saving features were clearly noticeable.

$5,550,000 bonds sold at 90 = $4,995,000.

Interest at 5 per cent on $5,550,000 = $277,500.

Saving on interest every year $42,500.

Twenty-five year need for borrowing $1,062,500 saved $555,000. Premium loss deducted from the $1,062,500 equal $507,500. Interest saved, which would be used to apply to redemption.

Of course, a sinking fund was established to raise, during the 25 years, the capital to meet the bonds when due, but this phase would have to be supervised by the lawyers and the trustee.

The Banking Firm

Treasurer Brown took a trip to New York, and arranged a meeting with Mr. Lee, of Lee, Green & Co., prominent and wealthy bankers. At the first conference he said, "Mr. Lee, the Phantom

Co. desires to issue $5,550,000 25-year 5 per cent bonds. You will, of course, make a thorough examination of the company and give us your verdict. There is no need for me to go into details because your experts will give you the facts. When may I expect a decision?"

"Within the next thirty days."

About four weeks later Treasurer Brown received the following letter:

Dear Sir:

The reports of our investigators in the matter of the Phantom Aero Co.—re proposed bond issue—have been filed. We will take over the entire issue of $5,550,000—25 year 5 per cent bonds at a flat price of 90. If you accept, kindly arrange to have your lawyers confer with Messrs. Dundee & Co., our attorneys, and at that time the adoption of the trustee, the terms of the mortgage, the indenture and other incidentals will be arranged. If the conference agrees, we will be prepared to act at once.

Very truly,
Lee, Green & Co.

After the lawyers had agreed on the form of the bond, the provisions regarding interest, sinking funds, and the equity to protect the principal, the Standard Trust Co. was called in to act as the trustee.

For a commission the trust company agreed to act for all those who would buy the bonds. The Phantom Aero Co. executed a mortgage in favor of the Standard Trust Co., which stated that all the property owned by the Phantom Co., estimated at a sale price of $15,000,000, would be placed in the hands of the Standard Trust Co. to protect the lenders. In addition the Phantom Co. agreed that if the interest funds, to be paid out semi-annually by the trust company, were not forthcoming at the proper date, the trust company would have the right to confer with the bondholders and sell the equity back of the mortgage. The Standard Trust Co. agreed to pay out the interest when due and the principal when due, to the holders of the coupons or the bonds. These papers were made out by the lawyers on both sides, properly registered in the records of the county where the property was situated, and temporary certificates of indebtedness were issued to the bankers, Lee, Green & Co., until the actual bonds could be printed.

The firm of Lee, Green & Co. paid the Standard Trust Co. $4,995,000, which was deposited to the credit of the Phantom Aero Co. for its own use. An arrangement was also made that the Standard Trust Co. should act as depository for the Sinking Fund, an amount set aside each year out of the earnings and interest saved, to pay the principal when the 25 years was up.

It must be noted here that the Phantom Aero Co. has its money. It must pay 5 per cent on a loan of $5,550,000, for which it only received $4,995,000. The rest of the proceedings is entirely in the hands of Lee, Green & Co. The Phantom Co. might have made arrangements to offer this loan to its stockholders direct, but it was safer to put it in the hands of the bankers, and much cheaper. It is now up to the bankers to make their profit.

The Distribution

Lee, Green & Co., with the consent of the Phantom Aero Co., sent out a notice to all the stockholders of the company that until a certain date such stockholders will be permited to subscribe to these new bonds at 95. Each stockholder owning 100 shares of either class of stock may purchase $1,000 of this loan at $950, and a certificate known as "Rights to Subscribers" is sent to each stockholder of record on a certain date. Depending on the terms of the indenture and the price of the stock, these "Rights" are valuable or they are

not valuable. The stockholder may either exercise his option or he may sell it to some one else. In any event, on the date set, the subsrciptions are counted, and we will suppose that only $3,000,000 is taken by the stockholders of the company. This leaves $2,550,000 in Lee, Green & Co.'s hands.

The Syndicate

Before beginning the sales campaign with the stockholders, Lee, Green & Co. called into conference four other banking or investment firms. The data regarding the Phantom Aero Co. was submitted and the other firms agreed that this was an opportunity for profit. They formed an agreement to take over at 95 all the unsold bonds and to make Lee, Green & Co. the manager of the syndicate. They also agreed to "withdraw from sale" all bonds allotted to them until the disbanding of the syndicate. This gave Lee, Green & Co. a profit of 5 points on all the issue. The only possible loss in this connection could happen in case their proportion of the syndicate allotment could not be sold.

The members of the syndicate agreed to sell these bonds at 98 to the general public, and at no other price. Each member of the syndicate had a list of regular customers who were eager to get the bonds at 98, because they were vouched for by such well known firms. In addition to this, each firm had a corps of trained bond salesmen. The head of the sales department called these men in conference, distributed to them all the facts and figures, and then lectured to them on the qualifications of this particular bond issue. Every phase of the mortgage, the business of the company and the peculiar worth of the loan for certain classes of investors was thoroughly discussed. Questions were asked, and the head salesman constituted himself as a prospective purchaser, and the salesmen attempted to sell him the bonds. After all possible questions had been settled, these men were sent out to do what they could.

After the prospects had been seen and the field of regular customers thoroughly covered, the salesmen were called in and the syndicate manager reported to the firms that only $1,000,000 of the bonds remained unsold.

The Public Offering

The advertising and publicity campaign was now ready for the final distribution. Announcements were made in all the leading daily, weekly and fortnightly financial publications that on September 1st next, the books of the various firms composing the syndicate would close for subscription to the Phantom Aero Co. 5 per cent first mortgage bonds, due 1942 at 100. Literature about the company was sent to investors all over the country, and the advertising followed up by attractive articles about the Phantom Co. On September 1st the books of the syndicate closed. The syndicate manager, Lee, Green & Co., made an accounting to the other firms of the syndicate, and it was found that only $250,000 of the issue remained unsold. This amount was divided pro rata according to the various interests in the syndicate, and each one had a right to sell the bonds as desired.

Who Profited?

The reader will easily follow the various items of profit which grew out of this bond issue. In the first place, the Phantom Aero Co. got its money at once in one block without any trouble. In the second place, the firm of Lee, Green & Co. got a profit of 5 points, or $50, on each $1,000 bond sold to the stockholders. In the third place, Lee, Green & Co. got a profit from the sale of the remainder to the syndicate at 95. In the fourth instance, Lee, Green & Co. and each other member of the syndicate made a profit selling to their chosen customers at 98. And lastly, the entire syndicate made a small profit in addition by selling to the general public at 100.

The Expenses

The expenses were quite large, and probably amounted to at least 3 points on the total issue of bonds.

In the first place, there was the cost of investigating the Phantom Aero Co. These investigators were high salaried men, and the incidental cost of travel

and overhead office expenses must be included. Then followed the fees for the lawyers and the fees for local and state legal necessities. Possibly the bonds were made tax exempt at the time of issue. Thirdly, the printing for the temporary certificates, circulars and agreements; next the advertising cost and salesmen's commissions, and last but not least, the postage and so-called incidentals.

What Happens to the Bonds?

It is the custom for well established firms to stand back of their bond ventures. Lee, Green & Co. are no exceptions to this rule, and they are ready to buy back at a slightly reduced concession bonds which investors desire to sell. Other firms enter into the field of buying and selling these bonds so that a "market" is established. It may be that the firm of Lee, Green & Co. desire to establish a more desirable "market," so that application is made to list these bonds on the New York Stock Exchange. The advantage for the owner by such listing is that the bonds become better collateral for loans. There is no other advantage except possibly a little closer "market" for purchase or sale. Sometimes the investor is better off if his bonds are not listed on the New York Stock Exchange. These Phantom bonds, not being listed, are not the football of speculation, but are more or less protected by Lee, Green & Co., whose reputation is at stake. They may have passed through hundreds of hands, but no matter who has had them, the money is being loaned to the Phantom Aero Co.

The interest has been paid regularly, and in 1942 the holder notes that the principal is due. Each year of the twenty-five, the Phantom Aero Co. has been putting aside enough out of earnings to eventually pay off these bonds. The proportionate amount involved for each year is mathematically computed, which taking accrued interest into consideration, involves a problem quite out of the customary mathematical calculations. At the date of expiration the Phantom Co. pays the Standard Trust Company the amount of the mortgage. The mortgage is released and the Standard Trust Co. pays off the various holders of the bonds according to the terms of the original indenture on the bonds.

The whole situation is now in the same position as before the bonds were issued. The Phantom Aero Co. received the necessary capital, and the thousands of lenders were satisfied with the interest, in fact, some may have benefited or lost by appreciation or depreciation of the bond prices at various times.

PLEA FOR THE RAILROADS

Over fifty million people in this country own railroad securities, either directly or as policyholders in life insurance companies and depositors in mutual savings banks—these two classes of institutions owning $2,250,000,000 of railroad stocks and bonds. The interests of railroads, of railroad security holders, of railroad employees, and of shippers, are identical in one respect, namely: They can prosper only when railroads are allowed reasonable rates for their services, so that they may pay interest and dividends on the capital invested, and pay good wages to employees, and provide the equipment needed to ship goods when and where ordered. The railroad situation has become acute, because costs of operating have increased very fast during the past few years, without proportionate increase of revenue. The recently organized National Association of Owners of Railroad Securities is working for a better understanding of the railroad question, and for a spirit of co-operation among those jointly interested in the success of our railroads. Every direct or indirect owner of railroad securities should join. This is a conservative proposition. The high prices of foodstuffs and other commodities, especially in the centers of population, have been due in great measure to lack of adequate transportation facilities.—*The National Bank of Commerce in Saint Louis.*

Railroad and Industrial Digest

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Market commitments should not be made without further corroboration.—*Editor.*

RAILROADS

B. & O.—Has started 4,900 box cars for the South, Southwest and West as part of its plan for relieving the difficulties of producers in those sections of the U. S. due to car shortage. Six months' operating revenue to June 30, $61,170,347; net operating revenue, $14,446,621.

B. & A.—The application for permission to sell $1,000,000 5% 25-year bonds has been approved by the N. Y. as well as the Mass. P. S. Comm.

Buff. & Susquehanna. — During the six months' period ended June 30 earned a surplus of $327,704. This is at the rate of 16.5% per year on the $3,000,000 common stock after allowing for the dividend on the $4,000,000 4% cumulative preferred stock. During the corresponding period last year surplus was equal to 13.4% on the common after allowing for the preferred dividend.

Can. Pac.—Higher costs of labor, coal and other supplies have begun to make themselves felt. In May the road's operating ratio was 68.29%, compared with 66.2% in April and 64.94% in May, 1916.

Chic. & East. Ill.—The foreclosure sale of the Chicago & Eastern Illinois, which was to have been held this month, has been postponed until Sept. 4. It will be held at Danville, Ill.

Chic., Burl. & Quincy.—A protest against the policy of the Great Northern and Northern Pacific in paying no dividends in excess of 8% on Chicago, Burlington & Quincy stock, although earnings greatly exceed that rate, has been published in pamphlet form by Robert J. Frank, an attorney, who writes as a minority stockholder in the road. Balance sheet, as of Dec. 31, shows a profit and loss surplus of $114,481,547, compared with $105,088,276 June 30, 1916, and $97,879,654 June 30, 1915. The 1916 net income of $31,130,438 is equivalent to $28.08 a share earned on $110,839,100 capital stock, compared with $17.94 a share earned the previous year.

Chic., Mil. & St. Paul.—This company is to build 500 gondola cars in its shops at Tacoma, Wash., in addition to the 1,000 cars now under construction. The cost of the new cars will be approximately $650,000.

Chic., Rock Island & Pac.—Unorganized employees of this company receiving less than $200 a month have been granted a 10% wage increase. Approximately 3,500 are affected. A latter announcement states that telegraphers asked 15% increase, pay for Sundays, vacations and an eight-hour day. Assistant Commissioner Hanger, of the United States Board of Mediation and Conciliation, recommended arbitration.

Del. & Hud.—Existing conditions make it impracticable to attempt to float a bond issue of $9,000,000 at this time, as stated in affidavits filed with the N. Y. Second Dist. P. S. Comm. by representatives of the Del. & H. Co. the application has been changed to one asking permission to make an issue of $9,000,000—5% gold notes. These notes will be secured by $11,700,000 in bonds and stocks as collateral, and leave is asked to issue the notes instead of the originally contemplated bond issue. The P. S. Comm. heard arguments on the application and reserved decision.

Den. & Rio Grande. — The committee formed for the protection of the holders of preferred and common stock of the Denver & Rio Grande R. R. Co., of which John W. Platten is chairman, has issued a call for the deposit of both classes of stock with the depositary, United States Mortgage & Trust Co., 55 Cedar street, New York. The committee's notice stated that it is imperative that holders of stock unite for the protection of their interests in view of the judgment for $38,000,000 entered against the Denver & Rio Grande R. R. Co. in favor of the old Western Pacific bondholders.

Erie.—The N. Y. Stock Exchange has received application to list $19,627,100 4% 50-year, Series D, convertible bonds of the Erie R. R. Co., due April 1, 1953.

Long Island. — Municipal Court Justice Edward A. Richards, as chairman of the legal committee of the Central Civic Association of Brooklyn, filed a brief with the N. Y. First Dist. P. S. Comm. opposing the application of the Long Island to increase the fares on its local lines on the ground that if the local fare on the Atlantic Avenue division between Flatbush and Railroad avenues is increased from 5 cents it will be an unfair discrimination between these passengers and those who use commutation tickets because the rate of fare will be greater.

Mo. Pac.—The N. Y. Stock Exch. struck from the list Missouri Pacific R. R. Co. first and refunding mortgage 5% bonds, Series A, due Feb. 1, 1965, when issued; first and refunding mortgage 5% bonds, Series B, due Jan. 1, 1923, when issued; first and refunding

mortgage 5% bonds, Series C, due Aug. 1, 1926, when issued; general mortgage 4% bonds, due March 1, 1975, when issued, and added the company's first and refunding mortgage 5% bonds, Series A, due Feb. 1, 1965; first and refunding mortgage 5% bonds, Series B, due Jan. 1, 1923; first and refunding mortgage 5% bonds, Series C, due Aug. 1, 1926; general mortgage 4% bonds, due March 1, 1975. The road reported estimated gross earnings for the month of July amounting to $6,341,000, an increase of $770,000 over the same period in the year of 1916.

Pitts. & West Va.—Declared a dividend of 1½%, payable on the first preferred stock for the quarter ended June 30. Dividend is payable Sept. 1 to stock of record Aug. 25.

St. Louis-San Fran.—Report, year ended Dec. 31, 1916, shows total operating revenue amounting to $53,119,999 and surplus, after charges, totaling $6,131,978. Balance of income for the year amounted to $1,898,443 after deducting $2,322,013 interest on cumulative adjustment bonds and $2,111,520 interest on income bonds. Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $605,089, compared with the old company's deficit of $4,555,407 June 30, 1916; $2,696,558 June 30, 1915, and $877,612 June 30, 1914.

Toledo, St. L. & West.—Report, year ended Dec. 31, 1916, shows: Gross operating revenues, $5,968,987; net after taxes, $1,898,322; net income, $431,803; to reserve funds, $9,920; surplus, $421,883. Balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $2,742,634, compared with $2,310,636 Dec. 31, 1915, and $2,529,643 June 30, 1916. The 1916 net income of $431,803 is equivalent to $4.33 a share earned on $9,952,600 preferred stock, as compared with a deficit for the previous year.

Industrial Digest

Amer. Car & Fdy.—The Navy Department has distributed contracts for 1,830,000 shells, 3 and 4-in., among the Amer. Car & Fdy. Co., Consolidated Manufacturing Co., Amer. & British Manufacturing Co. and Harrisburg Pipe Bending Co. A contract for 15,000,000 pounds of T. N. T. was placed with the Atlas Powder Co. at $25 a ton.

Amer. Hide & Leather.—The surplus of $1,779,511 for the 12 months ended June 30, 1917, is equivalent to $13.68 a share earned on $13,000,000 preferred stock, against $12.63 a share earned the previous year.

Amer. Loco.—The U. S. Govt. placed an order with this company for 150 standard locomotives for the service of American troops in France. They are of the same type as those being built for the British Government.

Amer. Malt.—Directors discussed methods which the various interests have under consideration for paying off the 33⅓% dividends which have accumulated on the first preferred stock. The first preferred stock in the treasury, which the company purchased in open market at an average price of $43.375 a share, will be canceled at the meeting of directors on Aug. 29, this being a preliminary step toward paying off back dividends in accordance with one of two plans, whichever may be decided upon.

Amer. Steel F'dries.—Directors decided to retire on Oct. 1, the next interest period, the outstanding amount of first mortgage 6% bonds, due 1935. There are now about $1,300,000 of these bonds outstanding. The floating indebtedness of the company, consisting of $1,200,000 notes, reported as of Jan. 1, has all been wiped out, the last of the notes having been paid off early in July. The company's entire indebtedness outside of current liabilities now consists only of the 4% debentures, of which approximately $2,000,000 are in the hands of the public.

Amer. Sugar Ref.—Purchased property in Chicago, where it intends to build a modern warehouse. The new property has good railroad connections and will take the place of a similar property which is less favorably located for the company's business. The latter property has been disposed of. The new warehouse will serve as a distributing center for the American's output of refined sugar. Announced the second advance within two days for refined granulated to a basis of 8.40 cents, up to 10 points.

Amer. Sumatra Tob.—Stockholders of this company at a special meeting authorized an increase in the pfd. stock of $1,000,000 to $2,000,000. The increased stock will be used for taking over of the Connecticut Tobacco Corp.

Amer. Tob.—Sales of this company for the current quarter are running 33% in advance of the corresponding period of 1916. For the first three months of 1917 an increase in sales of 30% was shown. The business of the company is excellent in all lines, the output of cigarettes being particularly heavy to meet unpredecented domestic consumption and growing demand from abroad.

Amer. Writ. Paper.—For six weeks the value of orders billed out to customers has been just under $400,000 per week, or at the rate of $19,500,000 per annum.

At. Gulf & W. I.—Including the Ward liner Havana, which the Government is plan-

ning to take, there are now in service for the U. S. six steamers of the Atlantic Gulf fleet. Five of these are on charter, and the price which the Government is paying is eminently fair.

Baldwin Loco.—Indications are that this company will place between $20,000,000 and $22,000,000 of new business on its books in July, 1917. Most of this will be for export. The U. S. has given the company its last large order and this, too, is for export. Baldwin Locomotive has on its books orders for between $95,000,000 and $100,000,000 of business, practically all of which is for locomotives.

Beth. Steel.—Bethlehem is midway in a period of enormous physical expansion, largely due to its entering into the ship construction program in such a whole-hearted way. When construction work under way is completed, Bethlehem will control nearly 38% of the shipbuilding capacity of the country.

Booth Fisheries.—N. Y. Stock Exchange struck from the list this company's common stock, $100 par value, and admitted to the list 171,760 shares of common stock of no par value.

Cent. Leather.—Earnings, six months ended June 30, 1917, as compiled from quarterly statements, shows: Gross income, $14,042,245; net income, $10,855,427; balance after preferred dividends, $9,689,963; surplus after common dividends, $7,903,423. The $9,689,963 balance after pfd. dividends for the six months ended June 30, 117, is equivalent to $24.40 a share earned on $39,701,031 common stock, against $11.44 a share the corresponding period in 1916. Balance sheet, as of June 30, 1917, shows a profit and loss surplus of $28,287,093.

Corn Prod. Ref.—The balance after charges of $7,141,666 for the six months ended June 30, 1917, is equivalent to $24.01 a share earned on $29,826,867 pfd. stock outstanding, compared with $7.69 a share in the previous year.

Cuba Cane Sugar.—Earning results of this company in the grinding season closed in 1917 were disappointing. The balance for the 500,000 shares of common of slightly better than $12 per share contrasts with expectations of $18, which had been cherished up to almost the first of May. Cuba Cane Sugar buys a large percentage of the cane which it grinds. At one mill an operating loss of $1,500,000 was realized against a normal profit of perhaps $500,000. The difference of $2,000,000 is equal to $4 per share on the common.

Curtiss Aero. & Motor.—Is assured of U. S. Government orders for 1918 for aeroplanes and parts aggregating at least $150,000,000. The total may run as high as $200,000,000. The business for the six months to end June 30, 1918, will amount to at least $100,000,000. An officer of this company is quoted as saying: "An agreement has been reached for cross licensing in the aeroplane industry, similar to the agreement existing in the automobile industry. The Government has bought no aeroplane patents and shows no signs of buying them. Royalties will be paid on all aeroplanes manufactured, but those royalties will be paid by the manufacturers and not by the Government."

Eastern Steel.—Is to make improvements, extensions and concentrations at its plant, which will mean an increase of more than 33% in the production of wrought and steel billets annually.

Federal Sugar Ref.—Increased the price of granulated to 8.25 cents, up 25 points from the last previous quotation. Other quotations are: American and National, 7.75 cents; Arbuckle and Warner, 8 cents.

Fisher Body.—Received an order for 400 aeroplane bodies, to be used at aeroplane training camps. As yet this company has received no orders for regular "fighters," but these will undoubtedly come later.

General Chem.—This company's balance after pfd. dividends of $4,952,689 for the six months ended June 30, 1917, is equivalent to $31.47 a share earned on $15,732,900 common stock, against $35.18 a share the year previous.

Goodrich (B. F.).—Earned a net income of $5,200,000 in the half year ended June 30, 1917, a gain of $400,000 over the same period in 1916. The result reported was over and above the reservation for excess profits taxes. The profit was equal to approximately 7% on the common stock, after allowing for the pfd. stock dividend.

Hercules Powder.—Balance sheet, as of June 30, 1917, showed cash of $5,339,025; profit and loss surplus $13,972,152; total assets and liabilities $30,263,278. After deducting full preferred dividends for year, earnings for six months were equivalent to 41⅝% on the common stock. Last year company earned about 228% on the common stock and paid cash dividends of 47% and 47½% in Anglo-French bonds. Thus far this year the company has paid 8% in cash, 1% in special Red Cross dividend and 47% in Anglo-French bonds.

Inter. Harvester.—This company's order for motor truck bodies for the Government will bring operations as close to capacity as deliveries of materials and labor supply will permit.

Inter. Mer. Marine.—The profits for year ended Dec. 31 are equivalent to $42.10 a share earned on $51,725,500 pfd. stock after deducting $4,169,489 regular depreciation on steamships for 1916. This compares with $25.46 a share earned the year previous. Con-

solidated balance sheet, as of Dec. 31, 1916, shows a profit and loss surplus of $24,686,172, compared with $14,548,128 Dec. 31, 1915, and $966,468 Dec. 31, 1914.

Inter. Nickel.—Balance sheet, as of June 30, 1917, shows a profit and loss surplus of $8,798,886. This company's balance of $2,940,127, after pfd. dividends for the quarter ended June 30, 1917, is equal to 7.02%, or $1.75 a share, on the common stock, against 7.58%, or $1.89 a share, for the same quarter of 1916.

Jewel Tea.—Reports sales for the four weeks ended July 14, as follows: $1,140,012, against $916,153 last year. For the 28 weeks ended July 14, $8,253,881, against $6,080,001 last year.

Manhattan Elec. Supply.—Gross sales for the six months ended June 30, 1917, were $2,529,757, as compared with $2,211,273 for the same period in 1916, an increase of $318,484, or over 14%.

Midvale.—Net profits of $12,224,302 earned in the quarter ended June 30, 1917, is equivalent to $6.11 a share earned during the three months' period on 2,000,000 shares of capital stock, or at the annual rate of $24.44 a share.

Owens Bottle.—The N. Y. Stock Exchange announced that $500,000 additional 7% cumulative pfd. stock of this company had been listed, making the total $7,757,400.

Pierce-Arrow Motor Car.—The $2,066,932 of surplus earned in the six months to June 30 is equivalent to $6.66 a share earned on 250,000 shares of common stock after allowing for dividend requirements on the pfd. stock.

Poole Eng. & Mach.—Will seek to get a part of the United States Government appropriation of $640,000,000 for aeroplane construction. The company has been experimenting along this line and has turned out the first completed aeroplane from its works at Hagerstown. It will be tested at New Brunswick, N. J., where the company has leased a large tract for an aviation field.

Reading Coal & Iron.—More than 1,000 puddlers have struck at three plants of this company at Reading, Pa. They demand $11.50 a ton, an increase of $1.75. Company offered $10.50.

Savage Arms.—Declared a quarterly dividend of 1½% on the common stock. The regular quarterly dividends of 1¾% on the first preferred and 1½% on the second preferred was also declared. The earnings of $2,493,963 in the six months to June 30, 1917, is equivalent to $19.13 on 88,355 shares of common stock.

Saxon Motor.—Passed the dividend of $1.75 a share. After the meeting Harry W. Ford, president of the company, said that the action was taken in order to conserve cash resources.

Studebaker.—Declared a dividend of 4% annually, reducing the stock from 10% basis.

Tobacco Prod.—Earnings for the six months ended June 30 were at the annual rate of between $10 and $11 for the $16,000,000 common stock after regular dividends on the $7,150,000 pfd. stock. These earnings compare with $5.42 for the full year 1916 and $2.60 for 1915.

United Cigar Stores.—Earnings for the six months ended June 30 showed a gain of 60% over the first half of 1916. This is a remarkable showing, particularly in view of the fact that the company conducted an extensive expansion program during the period.

U. S. Ind. Alcohol.—Declared a cash dividend of 16% from the earnings for year ended Dec. 31, 1916, payable Oct. 1 to stock of record Aug. 20; also a cash dividend of 16% for 1917, payable Dec. 1 to stock of record Oct. 20.

U. S. Rubber.—$60,000,000 U. S. Rubber first and refunding 5% mortgage bonds have been listed in exchange for outstanding interim receipts and certificates for bonds. Consolidated income account, three months ended March 31, 1917, of this company and subsidiaries, as filed with the New York Stock Exchange, shows a balance for the period amounting to $2,151,497 before the payment of dividends.

U. S. Steel.—Declared, along with the regular pfd. dividend of 1¾%, payable Aug. 30, and the regular common dividend of 1¼%, payable Sept. 29, an extra common dividend of 3%, payable Sept. 29, books closing Aug. 31 and opening Sept. 5.

Va. Caro. Chem.—The balance after pfd. dividends for year ended May 31 of $3,055,442 is equivalent to $10.91 a share earned on $27,984,400 common stock, compared with $10.39 a share the year before.

Willys-Overland.—Official figures just given out by the company gives sales of automobiles for July 12,049 cars, as compared with 9,901 cars for the same month of 1916.

Wilson & Co.—Purchased nine canneries for over $500,000. Five canneries are in Indiana, three in Wisconsin and one in Michigan. Wilson & Co. are in the market for 150,000 square feet of warehouse space for storage of canned goods, shipped in from different plants west and south.

Wright-Martin.—Has planned to increase aeroplane engine output from four to fifty daily. It is stated that the company will need $11,000,000 additional working capital. It is thought the Government may advance the money.

Railroad and Industrial Inquiries

Chicago & Great Western

H. K., Astoria, L. I.—Chicago & Great Western, Pfd., cannot be classed as an investment. Even in a period of abnormal railroad earnings, last year, this road barely covered the 4% dividend requirements of the stock, and its present rate of earnings has been considerably reduced owing to the high cost of maintenance and operation, the malady which is afflicting railroads in general. This company does not derive any appreciable benefits from the recent rate increases. While the property is in the best physical condition in its history and compares favorably in this respect with other roads in the same territory, it is not a trunk line, and is, therefore, not in a position to secure favorable terms on interchanges of traffic with other railroads. Judging from the past and looking to the future, there does not seem much to get enthusiastic over, and we believe that you would be extremely wise to accept your profits on the stock, waiting for the first good rally.

Chicago & Northwestern

L. B. A., New York City.—Chicago & Northwestern is one of the best of the railroad investment stocks. The road is now earning a large margin over its common dividend requirements of 7%. That rate has been paid on the stock for many years. The stock is now selling lower than it has sold in a decade. It may go lower, but a purchase at this price should eventually prove extremely profitable.

Gulf States Steel

D. S., Oak Park, Ill.—Gulf States Steel's phenomenal prosperity of the past two years has been due almost entirely to conditions brought about by the war. There is no question that the company has greatly strengthened its position financially and physically. In fact it has been established on such a firm financial basis that nothing short of gross mismanagement should ever again reduce the company to the state of poverty which it was in three years ago. As for its physical condition, the plants of the company have been practically rebuilt, so that now it is an efficient working organization in every respect. In 1916 the company earned a balance for the common stock of $30.25 a share, as compared with $10.17 a share earned in 1915. Current earnings are running in excess of $30 a share.

What you must consider, however, is not so much what the company is now earning as the outlook for earnings a year hence. Steel prices are at unheard of levels and the profits of steel companies as a consequence are unprecedented. This abnormal situation cannot continue indefinitely. Already there are signs that a deflation in prices has started. A deflation sooner or later would come about as the result of economic laws. But there is every probability that it will be hastened by the Government's program for price fixing, and by the readjustment of the business of the country to war conditions, now that the United States is a participant. Finally, there is the general market outlook to be considered, and this is uncertain. We will not go into details on this phase of the situation, but refer you to the editorial columns of the MAGAZINE.

We regret to see that you have purchased Gulf States Steel at such a high price as $165 a share, for that price was undoubtedly due to artificial conditions. There is little encouragement for the hope that you will be able to get out of the stock without a loss for a number of years to come. In the meantime you may have to carry it through a prolonged decline. You should make up your mind to accept your loss now and avoid the risk of taking a heavier one. If you sell and something unexpected occurs to put the stock much higher again, you would justly feel disappointed, but that is not likely to happen in the near future at least, and if you sell the stock now, we believe that you will undoubtedly have the satisfaction of seeing prices generally at very much lower levels, such as will offer you the opportunity of reinvesting to great advantage.

Mercantile Marine

A. S., Little Ferry, N. J.—International Mercantile Marine, Pfd., was depressed by Washington news indicating that shipping companies would be forced to reduce their rates. The U. S. Government regulation of freight rates would be effective in curtailing the earnings of the Marine company, but it would not be such a bearish argument on the stock, as it apprehended in some quarters, for the simple reason that the largest part of the Marine company's fleet is operated under British registry and would not be subject to U. S. Government control. The earnings of the American line do not cut a very big figure in the total earnings. The British Government has already taken about 80% of the excess profits of the British subsidiaries of the Marine company for war taxes.

The big bull card on International Mercantile Marine, Pfd., is the possibility that a plan will be devised for the payment of the accrued dividends on the stock, or that the present funded debt of the company will be redeemed, thus giving the preferred stock a prior lien on future earnings and placing it in a strong position as to equities, but the whole outlook as regards the consummation of any such plans is shrouded in uncertainty. Not alone that, but the future earnings' position of the company is very largely dependent upon the war developments from now on. There is so much that is speculative about the future of the Marine stocks that we do not feel justified in making any positive forecasts as to their market movements. We can only say that the possibilities for speculative profits are offset by the risk involved in a purchase or holding of the preferred stock, which risk is not the kind to be assumed by a man who cannot afford to lose.

BONDS AND INVESTMENTS

Bargains in Small Bonds

Opportunities for the Investor of Moderate Means—Trend of Long Term Issues—Buying "Down and Back"

By IRVIN GILLIS

THE man with a big lot of money hasn't a monopoly on opportunities to purchase good bonds cheaply. There is room for "elephants and mice too." Of course it is too bad that some of the good short time issues are not put out in $100 pieces, but both in short and longer term bonds, the $100 investor can treat himself to unusual advantages in the present day bond market.

However, it is only fair to caution against the idea that it is time to buy a bond because it's good—and cheap. Bonds of long time maturity will tend downward until conditions warrant a general trend the other way. With taxes increasing, the cost of living mounting and interest rates of money tightening, long term bonds may go quite a little lower. The long term bonds listed below, however, can very safely be bought on the way down and back.

Foreign bonds are much in evidence in the list given. In my opinion there is where most remarkable values lie. Don't forget that foreigners had the courage, or nerve, to back the Colonies in their fight for independence in the 1770s and that this country didn't even have a responsible government, until 1787. Don't forget that in the Civil War this government's bonds were selling on something like a 15 per cent. basis, gold. There is nothing certainly, even in the supposed German "peace terms," to indicate the slightest danger of repudiation or compromise on the external, secured tax free securities of the Allies.

Chicago, Milwaukee and St. Paul Convertible 4½s, Due June 1, 1932

These bonds when first issued, were unsecured debentures, but are now secured with two other "debenture" issues, equally with the General and Refunding mortgage which will ultimately retire this issue. The company has $115,845,800 preferred stock paying 7 per cent. and $117,406,000 common paying 4 per cent. Whatever one may think about the next little move in St. Paul common, the safety of these 4½s will remain unchallenged. They are cheap because investment credit is dear. These convertible 4½s are legal for savings banks in New York, Massachusetts, Connecticut, etc.

The conversion feature entitles the holder to common stock at par prior to June 1, 1922. There isn't much market value to a call on St. Paul common at par, even for one good for nearly five years, but the speculative feature of these bonds may yet be spoken of frequently before the middle of 1922 comes round. The 4½s are active on the New York exchange and are quoted around 87½.

American Waterworks & Electric Collateral Trust 5s, Due April 1, 1934

The company is a reorganization of the old American Waterworks & Guarantee Company, the J. & W. S. Kuhn property, wrecked by the guarantee of speculative irrigation project bonds. The new company has taken over the sound, well established proved earning water companies and the prosperous West Penn traction and power system.

These collateral 5s are secured by a large proportion of the stocks and bonds of the subsidiary corporations. Earnings show up very well, as suggested before, and the first preferred stock is now on a dividend basis. The 5s have less than seventeen years to run and can be bought at around 71. They are a real bargain as a business

man's investment, but don't buy too many now. They may go still lower and be still more of a bargain. But at least put them down as well worth watching and don't let the next big bond market catch you without a few in your box.

St. Louis-San Francisco Prior Lien 4s and 5s, Due July 1, 1950

Both 4s and 5s are of the same issue. The St. Louis-San Francisco has "always" been a splendid earner. The credit of the old company was woefully abused or else any bonds of the system might have little chance of getting into this article. The new company is "under new management" and the reorganization issue, the 4s and 5s, occupy a strategic position. They are a first lien upon the whole St. Louis-San Francisco system proper and equipment, subject only to about fifteen millions of underlying liens and equipment bonds. Under the present scheme of capitalization these bonds would have shown their interest splendidly taken care of in all recent years, good and bad. The Prior Lien 4s and 5s are active on the New York exchange. They were not well handled when first brought out, and besides have suffered from a great deal of liquidation from abroad where the old St. Louis and San Francisco securities were principally held. Therefore, these 4s and 5s are selling about ten points out of line, in comparison with other securities. The 5's have been as high as 88¾ this year. They are now quoted around 79. They are a fairly long term bond and may go lower—but watch them—they are good.

American Telephone and Telegraph Collateral 4s, Due July 1, 1929

Stock of controlled subsidiaries, including 399,804 shares of New York Telephone, 261,000 of Chicago Telephone, etc., secure this issue. The earning power of the American Telephone and Telegraph is so well established and the progressive conservatism —that's just what I mean—of the management is so widely acknowledged that the bonds would be perfectly good without any collateral security. These 4s are legal for savings banks in Massachusetts and Connecticut. Besides enjoying a good market on the New York and Boston exchanges, they are traded in on the London Exchange.

Wisconsin Edison Convertible Debenture 6s, Due May 1, 1924

The company controls the Wisconsin group of the North American Company properties. Among the Wisconsin Edison subsidiaries is the Milwaukee Electric, Railway and Light. Street Railways, interurbans, steam and hydro-electric power and light, gas and steam heating services are furnished in a very prosperous and thickly populated section of Wisconsin, including the city of Milwaukee.

The properties are fortunate in operating under the regulation and power of the Wisconsin Public Service Commission. This particular commission has a little habit of ordering sudden increases in rates as well as reductions.

Of the Wisconsin Edison notes, $6,500,000 are outstanding with $3,598,000 owned by the North American Company. $10,000,000 are authorized in all. The notes are not mortgage obligations but the earnings of the subsidiaries show up well, running over double all charges including subsidiary bonds. The notes are convertible into Wisconsin Edison stock at 80 until May 1, 1923. The stock is declaring dividends at the rate of $2.00 a year, and is selling at 45. The conversion privilege doesn't count in the price of the notes at the wide market 91-96.

United States Rubber 5s, Due January 1, 1947

This $60,000,000 issue was placed at 96¾ by a syndicate managed by two of the largest houses in New York. It is secured, directly and indirectly, by all the property of the company, subject only to $11,600,000 underlying liens unprovided for, but for which additional 5s may be sold. The bonds have a small sinking fund provision and the common stock cannot come in for any dividends until and unless quick assets

exceed all the debt of the company and its subsidiaries.

The bonds were sold to provide for large maturities in January, 1918, and to fund a large floating debt. The financing was one of the cleverest pieces of business put through in a long time. The company received a great deal more for the bonds than they were worth, according to conditions at the time and they have steadily declined, now selling at 84. They are certainly cheap and good, but they have to be compared with other fairly long time bonds such as the St. Louis-San Francisco Prior Lien 5s selling well below 80, so the Rubber bonds may go off some more. Watch them and buy on any sharp break. Be sure to have some at the beginning for the next big upward swing in the bond market. They have quite a long way to run before maturity and unless conditions in the company radically change, these fives may be selling well above par within a very few years.

Canadian Pacific 6% Note Certificates, Due March 2, 1924

Some $52,000,000 of these notes are outstanding. They are secured by a special fund, composed of deferred payments on lands of the company already sold, and securities in which the proceeds of land sales have been invested, aggregating a sum more than covering the par value of these 6s. The least the Canadian Pacific system has earned for its fixed charges in recent years was in 1907 when earnings ran over 2½ times requirements. It is not necessary, therefore, to worry about the value of the pledged fund or the pledged income therefrom, or about the over-expansion of other Canadian roads. However, these notes are redeemable at par on 60 days notice. While the probability of their being called is exceedingly remote, the price is not at all apt to soar far above present quotations because of the call figure. They now yield 5.60% figuring on payment at par in 1924.

Imperial Japanese Government Second Series 4½s, Due July 10, 1925

Of this £30,000,000 issue £6,046,380 have been redeemed at the call price of par. Besides the credit of the Japanese Government these bonds are a mortgage on the revenues of the tobacco monopoly subject to $23,492,000 other 4½s. The second series 4½s provide that principal and interest shall be paid in war or peace, to friend or foe. There are a large number "German stamped," which are not good delivery in London. However, the interest is even now payable upon presentation of the coupons in New York. The German stamped bonds are selling very low.

Of course history is rapidly being made these days and no one can tell how the credit of the rather military Japanese Government will stand by 1925, so the bonds cannot be recommended as a widows only holding. They are undoubtedly cheap and worthy of a place in this list of bargains. They

SELECTION OF ATTRACTIVE $100 BONDS

	Interest Rate	Due Date		Approximately Price	Yield
Chicago, Milwaukee & St. Paul	4½	June	1, 1932	87½	5.75
American Waterworks & Electric	5	April	1, 1934	71	8.00
St. Louis & San Francisco	5	July	1, 1950	79	6.55
American Telephone & Telegraph	4	July	1, 1929	87	5.50
Wisconsin Edison	6	May	1, 1924	91-96	...
United States Rubber	5	January	1, 1947	84	6.20
Canadian Pacific	6	March	2, 1924	101⅝	5.60
Japanese Government	4½	July	10, 1925	87	6.60
Japanese Government ("German stamped")	4½	July	10, 1925	81	7.75
City of Paris	6	October	1, 1921	93⅝	7.95
Anglo-French	5	October	1, 1920	93⅝	7.20
American Foreign Securities	5	August	1, 1919	95⅝	7.50
Bordeaux, Lyons & Marseilles	6	November	1, 1919	95	8.50

are quoted in New York on a basis of $5 to the pound sterling, while the pound sterling is normally $4.8666 and now about $4.76, so the arbitrarily based quotations are actually not quite as low as they look, but they are cheap enough at 87, while the German stamped bonds are selling around 81.

City of Paris External 6s, Due October 1, 1921

This $30,000,000 issue is the only external loan of Paris. The proceeds were required principally because of the unusual expenditures of Paris on account of the war, including the alleviation of suffering directly caused by the present conflict. The bonds are not a specially secured issue, but are a direct obligation. They are payable in New York in dollars and at Paris in francs at 5.50 francs per dollar. As French exchange is normally around 5.18 francs per dollar, there is some possibility of profit from an improvement in exchange rates. However, the bond needs no speculative feature to make it attractive. It is active on the New York exchange and is currently quoted around 93⅝ to yield 7.95%.

Anglo-French 5s, Due October, 1920

This issue of $500,000,000, a joint obligation of Great Britain and France, was floated in this country by a syndicate of 288 national banks, trust companies, and investment banking houses, headed by Messrs. J. P. Morgan & Co. They were issued to finance purchases of supplies in the United States. They are not specially secured but are convertible into joint and several 4½% bonds of the Allies maturing October 15, 1940, but callable October 15, 1930 and after. The average price of the French rentes and English consuls has been so high in the past that the long term joint bonds into which the Anglo-French bonds are convertible would have to sell at around 125 to be on a parity of the older securities in normal times. The Anglo-French 5s are not so attractive in some ways as a speculation as the French convertible 5½s of April, 1919, which are available only in $1,000 denominations, but the issue described above has sold as high as 98¼ since issue and at the present price of 93⅝ yields 7.2%, a splendid investment, with a nice little speculative possibility.

American Foreign Security Company 5s, Due August 1, 1919

The company part of this issue is simply a means by which an affiliation, in limited liability form, of the largest banks and investment houses in this country loaned France $100,000,000 for which it holds the note of the French Government to repay the loan and interest. France has deposited as security bonds of countries still neutral to the extent of about $100,000,000, Suez Canal shares with a market value of over $11,000,000 and American corporation bonds valued at over $3,500,000 together with other securities making up 120% of the par of the notes. The 20% excess market value must at all times be maintained. These notes are very active on the New York Stock Exchange and are in my opinion absolutely safe. They are selling around 95⅝ and yield 7.50%. They might go a little lower, but just remember the quality of this security and the yield now offered, say five years from today.

Bordeaux, Lyons & Marseilles 6s, Due November 1, 1919

These are three distinct issues of $12,000,000 each. They are the only external loans of the three cities, but have no special security other than that expressed by the direct obligation of the cities named. The proceeds were used to alleviate suffering caused directly by the war and for other municipal purposes. Bordeaux has about 261,000 population, Lyons has nearly 525,000 people, and Marseilles over 550,000. The funded debt exclusive of these notes, is respectively about $9,000,000, $18,000,000, and $23,000,000. The three issues are payable in New York in gold and in Paris in francs at 5.60 francs per dollar. If at maturity, the exchange should be again normal, the holders of the notes would have an exchange profit of about 8%. They are now selling around 95, yielding 8.50%.

Organizing the Investor

Investors' Protective Association of America—"An Association of Investors Organized not for Profit, But for Mutual Protection"—Principles It Represents and What It Hopes to Accomplish

By E. MARSHALL YOUNG*

THE failure of the present operation of the corporate form of business organization to protect equally the investor, the shipper, and the public, "logically suggests a new period of co-operation and co-ordination, in which due consideration will be given to the interests of all concerned, and the elimination of waste, inequality and inefficiency."

That is the conclusion expressed by the Guaranty Trust Company of New York, in a recently issued booklet in discussion of the present railroad situation. And the same logic can be applied to the country's public utility and industrial corporations.

Security Holders Unorganized

With all due consideration for any attempts which have been made in the past toward the organization of stock and bondholders of American railroad, public utility or industrial corporations, it must be admitted that there never has been in the history of the country any comprehensive movement to bring about co-operation and co-ordination of all of the component parts of the nation's corporate enterprises.

Attempts along the lines of a sort of specialized co-operative organization have been made. Efforts are being made to bring a small portion of the investing public to a realization that active interest and participation in the affairs of their companies is vitally essential if the best security of their investments is to be obtained.

But, until the Investors' Protective Association of America, with headquarters in Boston, was organized under the laws of Massachusetts in March last, I know nothing so ambitious, so far-reaching and so public-spirited that has been done in the interest of democratization of the country's corporate life.

And it is significant that the men who got behind this great forward movement placed at their head Nathan L. Amster. It is not necessary to tell readers of the MAGAZINE OF WALL STREET who this man Amster is. His fight for stockholder representation in the affairs of the Chicago, Rock Island & Pacific Railroad is known to them in all of its unprecedented details.

Suffice to say that a leading New York newspaper the other day described his fight as one which had commanded the respect and admiration of even the powers that be in financialdom. This, even though he fought some of them, and defeated them.

Fifty Billion Invested

It is estimated that more than $50,000,000,000 is invested by the people of the United States in the securities of railroad, public utility and industrial corporations. What portion of that amount represents the entire savings of the investors, has not been determined with any exactness. But think of it—throughout the life of American corporations that vast accumulation of money has not been protected by any organized effort on the part of the investors. For generations, despite the many evidences all around them of the value of co-operation, security holders, when they have taken any action, have done so as idividuals. They have represented no power; no

***Mr. Young, who wrote the accompanying article at our request that he outline the principles and purposes of the Investors' Protective Association of America, is in charge of the publicity of that organization whose headquarters are in the Equitable Building, Boston, Mass.**

force for self-protection or the conservation of their properties.

Such a Condition Is Paradoxical

The history of American corporate life is replete with cases of successful and most cunning and astute rascality. Widows whose husbands have left them gilded certificates of part ownership in corporations as their only bequest, frequently have seen their equity wiped out by misdirected business judgment, wilful recklessness or financial incompetency of corporate managements. Others whose deceased husbands left a little insurance with which to provide their widows a means of support, have invested the proceeds of their policies in supposedly safe enterprises, only to one day witness the shattering of their hopes of profit. And none of these have had the power to wield for the protection of their rights.

Within the Law

In past records of swindling, ulterior reorganizations, unjustifiable receiverships, fake rehabilitations, and like ills of corporate manipulation and financing, men have operated in avenues into which the courts have been unable to follow them. Stockholders have made their voices heard in appeals to the law, and they have been told that they must find their remedy and salvation within the corporation itself.

But, without organization, scattered and helpless, they have thrown up their hands and let matters take their course. Meanwhile, they have uttered useless recriminations against the men who were the cause of their misfortunes.

The movement headed by Mr. Amster aims to prevent recurrence of ills rather than to be a means of salvage.

The corporate form of business organization *per se* is not to be blamed. It is the consistent apathy of stockholders and bondholders which has made abuses possible. It is not the system which is wrong. Fundamentally, it is right; or as near right as it can be. It is the operation that is wrong.

After consenting to head the new organization of the owners of American corporations, Mr. Amster called a meeting in New York of the advisory council of the association which is composed of influential and public-spirited men, many of whom are of national repute. He outlined to them his ideas of preventives. Some of these may be stated in brief.

Aims of the Association

(a) Prevent abuses by stockholders, insisting upon full and frank publicity of all corporate financial activities, and the general affairs of interest.

(b) Do away with the election of dummy directors.

(c) Stockholders should display an active interest in the affairs of their companies; should realize their duties as proprietors and act accordingly, and should be advised, at least thirty days prior to election, of the men it is proposed to name as directors of their companies.

(d) Stockholders should name reorganization committees instead of allowing them to be self-appointive.

(e) Directors should be directly responsible at all times to stockholders, as should corporate managements.

(f) Corporation waste and inefficiency should at all times be vigorously opposed by stockholders.

The advisory council of the association discussed these preventives. They accepted them and incorporated them in a definite platform. With an enthusiasm which promises much for the ultimate success of the association, they set themselves to the work of bringing their decisions home to the investors of the country.

Growing Membership

I am informed that the membership is growing steadily. It is obvious that the power and beneficial influence of the organization will depend largely upon the size of the membership. Pledged to a platform which incorporates such reforms as I have enumerated, the association must of necessity be a powerful influence toward making the corporate structure of the country sound.

In a time when the world is turning its attention to making the government responsible to the people, such a movement is significant. The response of nations such as Russia to the democratic impulse is an indication of the change that is fast absorbing the earth of men.

Investment Offerings

[Under this caption we will publish from time to time a list of what we regard as conservative investment offerings by firms of unquestioned reliability. These securities will be of the type that should interest investors who regard safety of principal as the primary consideration in making their commitments.—Editor.]

SOUTHWESTERN POWER & LIGHT COMPANY, First Lien 5% Gold Bonds. Dated June 1, 1913. Due June 1, 1943. Interest payable June 1 and December 1 in New York. Redeemable as a whole but not in part, except for Sinking Fund, on June 1, 1918, or any interest date thereafter, at 105 and accrued interest, upon six weeks' published notice. Coupon bonds, $1,000, $500 and $100, registerable as to principal only. Registered bonds of $1,000 denominations interchangeable with Coupon bonds of like denominations. Free from normal Federal income tax. Price on application to William P. Bonbright & Co. Nassau and Cedar Streets, New York.

ELECTRIC AUTO-LITE CORPORATION, $5,000,000 6% Secured Gold Notes. Authorized and to be presently issued, $5,000,000. Due: $2,000,000, Series A, August 15, 1918; $3,000,000, Series B, August 15, 1919. Dated August 15, 1917. Interest payable semi-annually August 15 and February 15. Principal and interest payable in New York. Coupon notes, $1,000 denomination. Redeemable as a whole or in part upon any interest date, after thirty days' notice: Series A Notes at 101½; Series B Notes at 102½. Farmers Loan and Trust Company, New York, trustee. Offered: One Year (Series A) Notes 99¼ and interest, to yield over 6¾%. Two Year (Series B) Notes 98 and interest, to yield over 7%, by the National City Company, National City Bank Building, New York.

CITY OF LONDON, ONTARIO, $760,000 (Dominion of Canada), 5½% Gold Bonds. Dated August 1, 1917. Due August 1, 1922. Interest payable February 1 and August 1. Principal and interest payable in gold at Bank of Montreal in Toronto, London and New York City. Coupon bonds in denominations of $1,000. Price 98.87 and accrued interest, yielding 6%. Offered by Wood, Gundy & Company, 14 Wall Street, New York.

THE TWIN STATE GAS & ELECTRIC COMPANY, First and Refunding Mortgage 5% Gold Bonds. Dated October 1, 1913. Due October 1, 1953. Redeemable on October 1, 1923, or on any interest date thereafter, at 105 and interest, upon sixty days' published notice. Interest payable semi-annually, April 1 and October 1 at Guaranty Trust Company of New York. Coupon bonds in denominations of $100, $500 and $1,000. Registerable as to principal. Guaranty Trust Company of New York, trustee. Price on application to William P. Bonbright & Co., Incorporated, New York.

CHICAGO & WESTERN INDIANA RAILROAD COMPANY, $15,000,000 One-Year 6% Collateral Gold Notes. Dated September 1, 1917. Due September 1, 1918. Interest payable March 1 and September 1 at the office of J. P. Morgan & Co. The notes are issued in coupon form, in denominations of $1,000, $5,000 and $10,000. Authorized issue limited to $15,000,000. Redeemable, in whole but not in part, at 100½ and interest, on sixty days' notice. Offered for subscription at 99¾ and interest, to yield about 6¼% by J. P. Morgan & Co.; First National Bank, New York City; National City Company, New York City; Harris, Forbes & Co., New York City.

MARK MANUFACTURING COMPANY, Three Year 6% Secured Gold Notes. Dated June 1, 1917. Due June 1, 1920. Redeemable on 60 days' published notice at 103 and accrued interest up to and including June 1, 1918, at 102 and accrued interest up to and including June 1, 1919, and thereafter before maturity at 101 and accrued interest. Principal and semi-annual interest, June 1 and December 1, payable at the Continental and Commercial Trust and Savings Bank, Chicago, or at the First National Bank, New York City. Denominations $1,000 and $500. Registrable as to principal. Offered at 99½ and interest, yielding about 6.20%. By Child & Levering, 39 South La Salle Street, Chicago, and Peabody, Houghteling & Co., 10 South La Salle Street, Chicago.

PAN AMERICAN PETROLEUM & TRANSPORT COMPANY, $7,000,000 First Lien Marine Equipment 6% Convertible Gold Bonds. Dated July 1, 1917. Due Serially, January 1, 1918, to July 1, 1927. Denomination $1,000. Interest payable January 1 and July 1. Convertible into common stock at the rate of $1,200 bonds for $1,000 common stock. Redeemable in whole or in part at 105 and interest on nine weeks' notice. The company agrees to pay the Normal Federal Income Tax while it may lawfully do so. Columbia Trust Company, trustee. Price: First two maturities on application, balance 100 and interest, yielding 6%. Offered by Hayden, Stone & Co., New York.

WEST END STREET RAILWAY CO., $1,581,000 7% Bonds. Due August 1, 1920. Legal investment for Massachusetts savings banks. Price 102 and interest, to yield 6¼%. Offered by Lee, Higginson & Co., New York City and Boston.

WEST VIRGINIA TRACTION & ELECTRIC CO., $1,800,000 6% Bond Secured Notes. Dated May 1, 1917. Due May 1, 1919. Price 98½ and interest yielding 6¾%. Offered by Bonbright & Company, New York City.

PUBLIC UTILITIES

The Philadelphia Company

Recent Advance in Stock Reflects the Large Earnings of the Natural Gas Department—Corporate Structure—Capitalization — Recent Plan Analyzed Common Stock Undervalued

By JACOB SCHMUCKLER, A.M.

CONSIDERABLE attention was called in the earlier part of last month to the large prosperity of the Philadelphia Company, and chiefly to the great activity of the natural gas department, by the advance in its common stock. This property is primarily a natural gas proposition, and through control of many subsidiaries, it acts as a holding company for the Pittsburg investment of the United Railways Investment Company. Its corporate structure is quite complicated, although its business can be summarized under the following three heads: (1) Natural Gas. (2) Electric light and power. (3) Street railways. Of lesser importance are the oil and coal divisions of the business.

Natural Gas

This is the main department of the business, and has especially good promise. Through control of many subsidiaries, the property distributes and markets natural gas throughout the Pittsburg district, and produces and supplies this product in West Virginia and Pennsylvania. The company and its subsidiaries control about 2,000 wells with a daily capacity of 260 million cubic feet, located on lands to which it has the gas rights, and which comprise about 683,864 acres in Pennsylvania, West Virginia and Ohio. Pipe lines total 3,324 miles, of which 1,261 are distribution lines, and 2,063 transportation and well connecting lines. The fundamental structure and elasticity of the whole system is very satisfactory.

Reflecting the great activity in the Pittsburg district in the last few years, the number of the company's consumers has indicated good gains. The rate to industrial consumers was raised to twenty cents a thousand cubic feet last month; and domestic consumers are charged 27½ cents. Analysis of the statistics of natural gas sales indicates regular growth since the close of the 1914 fiscal year (ended March 31) and on the whole there has been an upward tendency for a good number of years. A study of the figures of gas sales and the production of pig iron in Allegheny County shows quite clearly that both exhibit about the same course of fluctuations, though it is significant to note that the company's dividend record has remained practically unbroken since 1886.

The comparative condensed income account of the Philadelphia Company, other chief natural gas properties and the Philadelphia Oil Company, for years ended March 31, 1913-1917, inclusive, are shown by the graphic which accompanies this article.

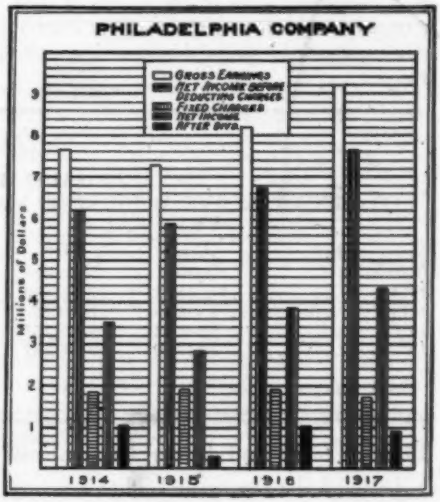
Excepting for the 1915 fiscal year, when industrial activity was at comparatively low ebb in the Pittsburg district, both the gross and net earnings of the natural gas department show steady gains. It is interesting to note the comparatively small proportions of gross consumed by operations, and more so, that in each year of the period earnings from this department alone were sufficient to pay fixed charges on the parent company's obligations by a large margin and to con-

tribute a good portion of the dividend on the common stock. In view of the great activity in the territory served and the high prices for coal, officials are very confident that this department will show good expansion in the present year, though they realize quite well that the continuance of the current prosperity is contingent upon changes in the industrial conditions of Pittsburgh, and naturally look for some setback with the passing of the intense boom. However, while it is certain that earnings will fall off temporarily with the slackening in industrial activity, there can be no very serious misgivings that the company will retain part of its newly acquired business, and will in time show further growth.

But questions naturally arise as to how long the natural gas supply will last and what provisions are being made to protect investors against such a contingency. According to an investigation by competent engineers and geologists, it is estimated that the "proven gas for future use" has a total volume of 539 billion cubic feet. If to this be added the gas that will be produced from under the lands held for "chance" and one-third be deducted to make provision for loss, the grand total would be 1,743,696,000 thousand cubic feet, exclusive of the land in Ohio. Assuming an annual sale of 40 billion cubic feet of gas, about the largest amount sold until 1916, the company, therefore, has a reserve supply of twenty-nine years.

It is also important to make clear that the company does not capitalize its future gas production or preliminary expenses in connection with getting the wells in order to produce gas—but only physical assets. The preliminary expenses are considered as deductions from income, and the few intangible values are carried at markedly low figures in the balance-sheet. Considering the especially high levels of prices for materials used in connection with equipment of all sorts, the physical assets are also carried at low figures. I am informed that it is the policy of the company to capitalize only the costs of materials in its wells and to write off the value of its wells over a period of 5 years and that of its well connecting and pipe lines over double that time. The equipment, I am told, is generally valued below the amounts the materials as such could bring in the open market.

The Philadelphia Company through control of the Consolidated Gas of Pittsburg and the South Side Gas has the right to manufacture gas in Pittsburg, which until recently was absolutely exclusive. For obvious reasons the Consolidated Gas has failed to earn fixed charges for a number of years,



the Philadelphia Company advancing funds to pay interest on its bonds. In February, 1916, and since interest has been defaulted, and the company is now being operated by officers of the parent property until a receiver is appointed by the courts. The Philadelphia Company continues, however, paying dividends on the preferred stock, as the dividends are guaranteed. It is the opinion of the officials that the change from natural to artificial gas could be made without very serious difficulty, in case of necessity.

Oil and Coal Departments

Either of these are strictly separate departments. No attempt is made to

go into the oil business on any large scale, most of the oil arising as sort of a side-line while exploiting natural gas wells. Earnings of this department are comparatively small.

The coal business was started in July, 1916, the Equitable Coke Company purchasing at that time the Allegheny Coal Company properties, with a daily capacity of 1,500 tons. The purposes of the purchase were threefold. In the first place there was the value of the mine; secondly, the securing of a possible site for a power station; and thirdly, the protection of the coal supply of the subsidiary properties, especially the Duquesne Light. Current developments have clearly demonstrated the wisdom of this move.

also has a long-term contract to supply power to the Pittsburg Railways. This section of the business is not so old as the natural gas department, but its future is quite favorable, and officials express very good confidence as to it.

A condensed income account of the electric light and power properties for the fiscal years, 1913-1917, inclusive, is given in Table I.

The sharp increase in operating expenses in 1917 is evident. The report attributes this primarily to the high prices for coal, and states that in the last three months of the year the production cost per kilowatt hour for the system as a whole increased 1.56 mills. Monthly net earnings since the close of the fiscal

TABLE I

PHILADELPHIA COMPANY
CONDENSED INCOME ACCOUNT OF ELECTRIC LIGHT AND POWER PROPERTIES

Years ended March 31,	Gross Earnings	Net Earnings	Net Income Before Charges	Interest Charges	Net Income	Dividends Paid
1914	$4,844,223	$1,889,439	$2,173,225	*$608,947	$1,564,278	$1,054,380
1915	4,938,862	2,201,282	1,789,904	20,800	1,769,104	1,236,776
1916	5,368,025	2,695,151	2,268,415	76,681	2,191,734	1,470,407
1917	7,310,704	2,990,261	2,583,905	54,609	2,168,327	1,853,637

*All charges.

Electric Light and Power Departments

Through the Duquesne Light Company, the property controls the electric light and power business in the Pittsburg district. Earnings of this concern have been showing good expansion for some time, and the 1917 showing was a record one. A large number of contracts have been consummated for the current year, and demands should stay large and show expansion for some time at any rate. To meet these large demands, the property has extended and improved its equipment. In the 1917 fiscal period, $3,645,770 were expended for these purposes, and the company has secured three million dollars from the parent company, of which $1,800,000 are to be used to care for further demands. The Duquesne Light

year are below those for corresponding periods in the previous twelve months, though current net revenues indicate an upward tendency. The provision in the most of the company's contracts with industrial consumers, stipulating that the cost of current be increased proportionately if prices for coal goes above an average figure of about $1.25, should be of assistance in this direction.

Street Railways Department

The Philadelphia Company controls the street railway business of the Pittsburg district through ownership of all of the common stock of the Pittsburg Railways. In addition it guarantees $3,375,000 of divisional bonds and owns the entire $10,000,000 issue of the income debenture 6's, be-

sides a small amount of other obligations. This property has not been doing very well, and has brought the parent company comparatively little on its large investment. It has not earned charges by any considerable margin in the last four years, and chances for dividends in the near future are indeed very remote. In 1917, the parent company's income was $709,828, of which $600,000 represented interest on the income 6's. This amount is a decrease of $10,000 from 1916, and all indications point to a substantial reduction in revenues from this source for the current year, and very possibly practically no income at all.

The reasons assigned for this condition are many. The company is confronted with the problem of the long haul, officials informing me, that the average haul is larger on this line than on most urban lines in the country. This is accounted for in a large measure by the comparatively unsettled character of part of the company's territory, and will gradually be overcome with the more remote parts being settled. Then again the country is very hilly and irregular and this necessitates heavy maintenance and depreciation charges and higher prices for power. In the last year or so the company, in common with other traction properties, has had to face further difficulties of increased operating expenses, but in the case of this property labor difficulties have been especially exaggerated.

This increase in living costs has been particularly marked in the case of the Pittsburg Railways, whose operating ratio has always been very high, as indicated in the income account presented in Table II.

The report attributes this sharp upward movement in operating costs primarily to labor, and is not at all optimistic as to the situation for the current year. Regarding the whole matter the report adds: "It will be the policy of the company to make every effort to secure remuneration for the additional cost of service it renders, and unless there is an increase in fares, the company will not be able to maintain its present standard of service." For a number of years gross revenues have been increasing steadily, but net in recent months has been below that for corresponding periods in the 1917 fiscal year. It is quite evident therefore that the Philadelphia Company cannot expect much from this property for a number of years in any event.

TABLE II

INCOME ACCOUNT OF PITTSBURG RAILWAYS COMPANY

Years ended March 31:	Gross earnings	Net operating revenues	Total net income	Fixed charges	Interest paid on debentures	Surplus or deficit for year
1914	$11,782,860	$3,449,151	$3,645,958	$3,306,685	$239,273	$100,000
1915	11,670,091	3,610,889	3,776,156	3,345,417	330,739	100,000
1916	12,123,276	4,432,372	4,587,823	3,363,636	600,000	111,608
1917	13,184,430	4,223,350	4,468,395	3,494,681	600,000	*6,503

* Deficit.

Capitalization

The capitalization of the Philadelphia Company is comparatively simple. Table III gives present capitalization with various details and current quotations.

The high character of the issues of the Company are clearly indicated by the fact that all command good rating. This fact is further emphasized by a careful statistical study of the earnings of the system of the whole since 1912, and estimate for 1918, with all intercompany relations eliminated. The compilation shows that the common stock has not earned less than 9.5% in any year of the period. In 1917, 15.7% was shown on the common is-

sue, and the 1918 estimate indicates 19.6% earned. With all these facts before us and the additional consideration that on a very conservative basis the stock has an asset value of about $65.00 per share, it is difficult to see why the company's common shares sell so low, unless it be the fear of the exhaustion of the natural gas supply and the poor showing of the Pittsburg railways. As was shown above, neither of these are of very serious concern, and the common should be selling considerably higher. The company's two main bond issues and recent note issues are also attractive at current levels, especially the consolidated and collateral trust 5's.

In line with the company's policy to simplify its capitalization the 5% preferred stock is being exchanged for new 6% preferred upon payment of $3.00 per share. The recent sinking fund and redemption plan for the first and collateral trust 5's and the consolidated and collateral trust 5's, which has been declared operated, has for one of its purposes the desire to further simplify the property's capitalization. It is undoubtedly the intention of the bankers to call these bonds as well as the others outstanding when the money market becomes more favorable to the floating of a general mortgage bond issue which would cover the entire property.

The reason for this opinion is very clearly indicated when the columns, in the table above, giving the amounts of capital issues authorized and outstanding are examined in connection with the rapid expansion of the Philadelphia Company system. The fact is patent that for all practical purposes there is at this time no large open mortgage to finance this rapid growth, which must be done in some way. In keeping with the general tendency in recent corporate financing, the company is trying to clear the way for a large general mortgage and in order to have strong security to pledge under these bonds finds it necessary to set free the valuable assets pledged under the long-term collateral trust issues. To do this, these bonds must be called or redeemed, and considering that the respective prices at which the first and collateral 5's and the consolidated and collateral 5's are redeemable or callable for the sinking fund are 107½ and 101½, they have considerable speculative possibilities as well as good investment merit. Meanwhile the property, as practically all others, will have to finance its needs by short-term notes, as it did last April, though I am informed that practically no new financing on a comprehensive scale will be necessary until 1919.

TABLE III

PHILADELPHIA CO.'S SECURITIES AND MARKET PRICES

Issue	Authorized	Outstanding	Current market
First and coll. trust 5s, due 1949	$6,500,000	$6,500,000	100
Cons. and coll. trust 5s, due 1951	22,000,000	15,148,000	90
Conv, debenture 5s, due 1919	5,000,000	1,957,000	100 (asked)
Conv. debenture 5s, due 1922	10,000,000	9,794,000	92⅝
Serial collateral 6s, due to August, 1918	2,500,000	750,000	..
Collateral 5½% notes, due 1919	7,000,000	7,000,000	99
5% non-cumulative preferred	25,000,000	6,763,550	32 (par $50)
6% cumulative preferred	1,442,450	1,442,450	39 (par $50)
Common stock	44,000,000	42,943,000	37½ (par $50)

Summary

The Philadelphia Company is a strong and promising proposition. While the prospects for the street railway properties are far from encouraging for some time, the losses in revenues from this source will be more than compensated by gains in other departments. At current levels the company's issues as a whole appear quite attractive, and the common stock appears to be considerably under-valued.

Public Utility Notes

Amer. Gas & Elec.—The large generating station being erected at the coal mines at Windsor, W. Va., is rapidly nearing completion. The first 30,000-kw. unit is expected to be in operation some time during August.

Appalachian Power.—Operating results for 12 months ended May 31, 1917, show gross earnings of $843,727, an increase of 18.5% over the preceding year, and net earnings of $478,887, being an increase in net earnings of 22.5%, compared with the corresponding period ended May 31, 1916.

B. R. T.—During July there was a comparative gain in income of $202,740, an increase of 8%. Daily receipts showed an average gain of $6,540. Earlier months this year have shown comparative gains in gross of about $110,000.

Col. Gas & Elec.—The United Fuel Gas Co., a subsidiary of the Col. Co., applied to the West Va. P. S. Comm. for increased gas rates in Wanawha, Putnam, Wayne and Cabell counties.

Columbus Ry., Power & Lt.—Arranged to issue $576,000 6% secured notes, dated Aug. 2, 1917, maturing Aug. 1, 1918, and secured by deposit of first ref. ext. mtg.

Com. Pr., Ry. & Light.—Purchased a three-quarter interest in a coal mine located in Logan County, W. Va. The Columbia Power, Ry. & Light Co. owns the other quarter interest. Production is now running at the rate of 300,000 tons a year, of which the Commonwealth Co. takes about three-quarters. The ore reserves are estimated by engineers at between 9,000,000 and 10,000,000 tons.

Consol. Gas, Elec. Lt. & Pr. of Balt.—Earnings, three months ended June 30, 1917, show: Gross, $2,161,493, against $1,846,444 last year; net after taxes, $1,007,295, against $852,728 last year; surplus after charges, $535,356, against $480,690 last year.

Consumers Power.—A subsidiary of Commonwealth Power, Ry. & Lt., increased the authorized capital stock from $22,000,000 to $40,000,000. The increased capital stock is divided into $10,000,000 preferred and $8,000,000 common stock. The new stock cannot be issued without authority from the Mich. R. Comm. and then only for cash at par for improvements or additions to the property.

Empire Gas & Fuel.—Empire Gas & Fuel Co., a subsidiary of the Cities Service Co., has brought in a new well in the Eldorado field at the 2,345-foot level. The well is flowing at the rate of 4,000 barrels a day, with drilling operations still in progress.

Mass. Gas.—Earnings of subsidiary companies of Mass. Gas (not including New England Mfg. Co. munitions plant, nor J. B. B. Coal Co.) for June were $479,552.04, which is $102,969.40 (27.34%) larger than in any prior month in the history of Mass. Gas and 174,726, or 5732% over June, 1916.

Nor. Ohio Elec.—This company's balance after pfd. dividends of $668,488 for the 12 months to June 30 is equivalent to $8.91 per share on 75,000 shares of common stock.

Phila. R. T.—Report year ended June 30, 1917, shows income account as follows: Gross, $28,553,614; net after taxes, $12,549,443; surplus after charges, $2,783,870. The surplus of $2,783,870 is equal to 9.27% on $30,000,000 stock, as against 5.57% in the previous year. Balance sheet shows a profit and loss surplus of $4,345,900, compared with $2,987,975 June 30, 1916.

Phoenix Gas & Elec.—The Arizona Corp. Comm. authorized this company to issue $550,000 bonds, $185,000 of which are to be debentures, the proceeds to be used for extensions and general improvements.

San Joaquin Lt. & Pr.—Earnings, statement twelve months ended May 31, 1917, shows that the company earned its interest charges 2.19 times during the period. Net income from operations, plus miscellaneous revenue, amounted to $1,091,927, and interest charges were $493,202, leaving a balance before depreciation of $598,725. Depreciation charge is eliminated from this statement. Total interest charges for the previous 12 months were $482,498, showing an increase for the 1916-17 period of $10,703.

So. Cal. Edison.—The Cal. R. R. Comm. authorized this company to issue $10,000,000 bonds, the proceeds to be spent as far as available for the following purposes: $3,000,000 to defray the cost of adding to the company's Big Creek hydro-electric plant and the transmission line to Los Angeles; $983,287.44 to pay obligations for the purchase of the stock of the Mt. Whitney Power & Electric Corp.; $4,000,000 to pay obligations for the purchase of $5,000,000 of first and refunding bonds of the Pacific Light & Power Corp., and $5,554,891 to pay outstanding notes of the Edison company and the Pacific corporation.

Wisconsin Gas & Elec.—Increased its capital stock from $2,750,000 to $3,350,000 to accommodate extensions of its power generating and transmission system at Racine and throughout southern Wisconsin.

Public Utility Inquiries

Public Utilities as Investments

C. M. F., Louisville, Ky.—Public Service companies are having hard sledding now because of greatly increased expenses of operation. Unless relief comes in the way of rate increases the outlook for maintenance of dividends by many companies is not good. Until the atmosphere clears, that is, until it can be determined more definitely what will be the attitude of Public Service Commissions toward the public utility companies in the matter of rate increases, we counsel against the purchase of these stocks for investment.

Ohio Cities Gas

P. K., N. Y. City.—Ohio Cities Gas, preferred, is a very conservative preferred stock investment, provided you are considering it as a purchase for income only at the present time. Market conditions are not such as to warrant the purchase of practically any stocks for investment by any one who does not intend to hold them for a long time, because it is likely that prices of such issues will continue to be depressed, at least for the duration of the war.

American Light & Traction

M. O. B., West Hoboken, N. J.—American Light & Traction common is a high grade public utility stock into which a trifle of the speculative element has been injected during the past year by reason of greatly advanced costs for materials and supplies, increasing demands upon the part of labor and by the changed international aspect following this country's entrance into the European War. Higher operating costs as against a fixed price for service will of course result in decreased net income. These are the conditions which are unfavorable to the market for high grade public utility stocks and as there is no telling how much longer the war will last and how much higher prices for materials and supplies will climb, we are not inclined to recommend the stock at this time. At its present selling price it discounts pretty well the more immediate outlook in the general public utility field. By waiting to make your purchase, it is possible that you may have to pay more for the stock, but you should at least be able to buy it with greater assurance.

Dubuque Electric

A. G. C., Boston, Mass.—Dubuque Electric, preferred, appears to be a fairly good investment stock, but we should hardly recommend its purchase since there are other public utility preferred stocks available in which the chances for appreciation are better. Dubuque Electric was incorporated last year under Delaware laws as the successor to the Union Electric Co., of Dubuque. The company does the entire electric lighting, power and street railway business in Dubuque and vicinity. It also sells power to the Eastern Iowa Light & Power Co. and has about 220 miles of transmission and distributing lines. In 1916 gross operating revenues were $602,459,000 and net income, after all deductions, was $150,772, leaving a margin of about $100,000 on the 6% cumulative preferred dividend on $800,000 of stock outstanding. For a company of its size and earning capacity, this is a good margin of safety on the preferred dividend, but with continually rising costs for both labor and material, as against a fixed charge for service rendered, it is a question whether such a margin can be maintained if the present situation continues unchanged for the better. In view of this and the reason already given above, we do not recommend a purchase of the stock now.

SUGGESTIONS IN REGARD TO INQUIRIES

The very heavy volume of inquiries which this publication is now receiving makes it necessary to ask our subscribers to co-operate with us in order that we may maintain and improve the high quality of service which the Investors' Personal Service Department renders to our readers. We therefore suggest that:

(1) Not more than two or three inquiries be submitted at one time. Occasionally a subscriber sends in a long list of securities asking for an opinion on each. The careful manner in which the Investors' Personal Service Department handles its inquiries makes it impossible to give such inquiries the immediate attention necessary, without slighting other inquirers.

(2) Write all inquiries on a *separate* sheet of paper, which should bear the writer's name and address.

(3) Enclose stamp or stamped and addressed envelope.

The above suggestions are drawn up for the benefit and protection of our readers and those inquiries which conform with them will receive first attention.

When a reader wishes a special investigation or a special analysis of a security or a subject we shall be pleased to submit an estimate of the special charge for such work.

MINING AND OIL

Wyoming Oils

Midwest Refining and Its Standard Oil Backing—Lesson Learned from Over-Production in California and Oklahoma — Merritt Oil

By JOHN D. BLAKE

WHEN the Midwest Refining Co. recently acquired control of the Merritt Oil Corporation, centralization of ownership of Wyoming oil properties became an accomplished fact. In addition to its own large holdings of producing oil lands in that state, Midwest Refining came into possession of what appears to be one of the best pools of oil discovered in the last several years. Prior to the transaction Merritt had proved the existence of four oil-bearing sands in its lands in the Big Muddy field and had brought in wells capable of an estimated production of from 1,000 to 5,000 barrels a day. These Merritt lands covered an area of several thousand acres.

Just what Midwest Refining ownership is has never been officially admitted. It undoubtedly is Standard Oil. Numerous signs seem to verify this. The development of the Midwest company has been swift and silent, with a remarkably intelligent aggressiveness in its operation that suggests the best brains of the Standard Oil. Today Midwest Refining owns, or has an interest in, practically every oil producing company of value in Wyoming; and the country at large is just awaking to the fact that Wyoming is a real oil state, one that is sure to rank among the leaders in the matter of production. That is the Standard Oil method—accomplishment before talking. That policy has made Standard Oil what it is —the greatest commercial organization the world knows.

A more apparent sign of Standard Oil ownership of Midwest Refining is the voting trust agreement which carries control of the Midwest company. Two of the three voting trustees represent Canadian interests, said to be the Imperial Oil Co., Ltd., 80 per cent of whose stock is owned by the Standard Oil Co. of New Jersey.

The Federal Trade Commission, in its report on the price of gasoline made the following statement: "Another company included among the independents in 1915 is the Midwest Refining Co., though it is known to have operated in such a way as to have made it an ally rather than a competitor, and is now reported to have come under the direct control of the Imperial Oil Co., Ltd., of Canada, which is a Standard concern."

Centralization to Benefit Wyoming

This concentrated ownership of Wyoming oil properties means much to the state and much to the oil industry in general. For Wyoming it means the rapid development of the oil resources within the state and the incidental building up of general industry by the biggest and most reputable people.

For the oil industry it means that the resources of Wyoming will not be wasted, as happened in California and Oklahoma a few years ago when thousands of individual drillers brought in oil at the same time and many of them took a loss in money on the operations because all tried to dispose of their production at the same time. Real conservation methods will be followed in Wyoming so far as is possible for this centralized ownership to order.

One effect of this ownership has been apparent during the last several months when development work in Wyoming has gone steadily ahead, although in other oil territories work was hindered by reason of the fact that necessary oil well supplies

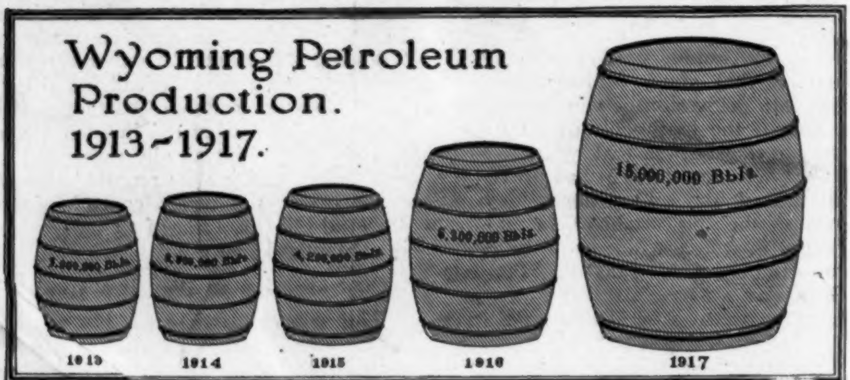
were unobtainable. If Standard Oil, and the other big companies in Wyoming—and they are practically all there, including Texas and Royal Dutch—had not been in a position to divert supplies from other fields, new work in Wyoming would have lagged.

On the part of the State of Wyoming much must be said in praise. As a result of its intelligent co-operation with producers and refiners, due in a large measure to the efforts of John B. Kendrick, former Governor, and now United States Senator from Wyoming, the industry there is on a straightforward basis. Proof of this is found in the recent controversy over State University lands when certain interests offered a million dollars to the State University fund provided previous contracts with others were broken. The offer was indignantly spurned.

First Development by French Syndicate

The history of oil in Wyoming goes back for fully twenty-five years, but it was not until the last few years that development work began on a big scale. While a flood of oil was coming out of the midcontinent field, as a result of the famous Cushing pool, which at its height was good for 300,000 barrels a day, it was unprofitable to attempt to market Wyoming crude. Every barrel less in Wyoming, however, meant the necessity of replacing it with one from other fields, and this is exactly what Wyoming is expected to do.

Early development in Wyoming was done by a French syndicate. In the face of a good deal of difficulty, they accomplished much. But it was not until the organization of the Midwest Refining Co., which took over much of the French interests, that the eastern investing public became acquainted with the possibilities of Wyoming. The Ohio Oil Co., a Standard Oil producing company, and the Standard Oil Co. of Indiana, a refining company, were quick to enter the field, the first named acquiring valuable lands, notably in the northern part. Hundreds of other companies followed. Today new companies are being organized to operate in Wyoming at the average rate of $1,000,000 capital stock a day.



1917 production estimated.

Midwest's Big Oil Reserves

Before its acquisition of the Merritt company the Midwest Refining was the dominant interest in Wyoming. Its position now is just so much stronger. It controls probably a greater oil reserve than any other refining company in this country. At a time when oil supplies are diminishing rapidly and refining companies are worrying where they are going to secure adequate supplies over a period of years, the position of Midwest is shown to be unusually favorable. Midwest Refining can go ahead with extension work with the knowledge that its oil supplies will be sufficient.

At the end of this year the refining capacity of the Midwest company will

be 50,000 barrels a day. It is in excess of 30,000 now. Midwest started out largely as a topping plant. When its Standard Oil management completes plans now under construction, Midwest is going to appear as one of the best all around refining companies in this country.

Beginning operation in March, 1914, the Midwest Refining Co. earned $1,-184,000 net in the succeeding ten months. That ten months' total today does not represent one month's net earnings. Monthly earnings today are at the rate of about $1,300,000 net, and by the end of the year when extension plans are completed, net, it is figured, will be $2,-000,000 a month. It is capitalized at $20,000,000, par value of shares $50.

A meeting of the stockholders of the company has been called for August 14, 1917, to vote on a resolution to increase this stock to $50,000,000. What will be done with the $30,000,000 additional is not known as yet. It may be distributed in part as a stock dividend, or it may be used to acquire additional properties.

Further Merging Desirable

The latter course would be in line with recent developments, including the taking over of Merritt. It is figured that better working results could be obtained by Midwest Refining taking over control of Elk Basin Petroleum Co., Northwest Oil and several other small oil properties in the Salt Creek, Big Muddy and Elk Basin fields. If such a course is followed, there will develop from it one of the biggest oil companies in the country —one with a potential capital of probably $150,000,000. Such a combination, Midwest, Merritt, Elk Basin, and numerous small companies, would be one that would have a natural control over the business of a large section of the country.

The Wyoming field is without competition to a large degree. It controls naturally the oil market over a wide section of the United States. Its geographical position places at its control the oil business throughout the Rocky Mountain States, and in the American and Canadian Northwest.

Outside of the accomplishments of Midwest Refining, which has increased its earnings ten-fold in less than three years, statistics are lacking in Wyoming. Consequently, in presenting facts about Wyoming to the investor, data must of necessity be meagre. The investor must be asked to accept statements that apply largely to the future, statements indicated by the present state of development in the field.

Prominent among such statements are those concerning production. This year Wyoming will produce 15,000,000 barrels of oil, compared with 6,300,000 in 1915. Next year Wyoming indicates a produc-

TABLE I

EARNINGS FOR 1916 ON CAPITAL STOCK OF PROMINENT REFINING COMPANIES

	Net Available for Stock Earned in 1916	Stock Outstanding	Per Cent. Earned on Stock
Standard of New York	$36,638,495	$75,000,000	48
Standard of Indiana	30,043,615	30,000,000	100
Standard of California	17,605,304	74,529,983	23
Texas Co.	13,898,862	37,000,000	37
Midwest Refining	10,827,193	20,000,000	50
Atlantic Refining	9,628,256	5,000,000	192
Vacuum Oil	9,221,937	15,000,000	61
Standard of Ohio	3,751,936	7,000,000	56
Standard of Kansas	1,270,314	2,000,000	63
Solar Refining	1,104,601	2,000,000	55

Standard Oil Co. of New Jersey is not included in the table because it does not report earnings. The Federal Trade Commission in its report on the price of gasoline found that this company earned about $52,000,000 net in 1915. On the basis of what other refining companies did in 1916 the New Jersey company probably earned between $90,000,000 and $100,000,000.

tion of 25,000,000 barrels, and if the present excess of consumption of oil over production continues Wyoming's output will keep on increasing. Under present conditions the United States is consuming 335,000,000 barrels of crude oil a year, whereas production is only 300,000,000 barrels. The excess 35,000,000 barrels are being taken out of surplus reserves which are placed at about 135,000,000 barrels.

More Proof of Standard Control

The Illinois Pipe Line Co. is constructing the carrier facilities in Wyoming. It has just finished a pipe line from the Big Muddy field to Casper, where one of the Midwest refining plants are located. It also has constructed a line north from the Salt Creek field to the Greybull to the Montana border, whence crude oil is taken in tank cars to Sarnia, the location of the Imperial Oil Co.'s refinery.

If Wyoming develops to the magnitude which it is believed it will, there is the prospect of a trunk pipe line either to Omaha or directly eastward to a connection with the Prairie pipe lines. Both of these projects are talked of. In that case the big seaboard refineries, which now get much of their supply from the midcontinent field, will be using Wyoming crude. A pipe line south to a connection with the Union Pacific, so that oil supplies can be distributed over that system, is also a matter of consideration.

This pipe line development by the Illinois Pipe Line Co., one of the larger of the Standard Oil pipe line companies, gives added evidence of Standard Oil control of Wyoming and the centralization of ownership of much of the oil land in Wyoming in the hands of the strongest people in the oil business—people who are sure to bring out the best results from the resources of the state.

TABLE II

PRODUCTION OF CRUDE PETROLEUM IN THE UNITED STATES IN 1916. (in barrels).

	1916	1915
Oklahoma	106,396,834	123,295,867
California	91,976,019	86,591,535
Texas	26,603,234	24,942,701
Illinois	16,500,000	19,041,695
Louisiana	14,524,997	18,191,539
Kansas	13,961,803	2,823,487
West Virginia	8,500,000	9,264,798
Pennsylvania	8,000,000	7,838,705
Ohio	7,400,000	7,825,326
Wyoming	6,300,000	4,245,525
Kentucky	1,200,000	437,274
Indiana	1,000,000	875,758
New York	900,000	887,778
Colorado	190,000	208,475
Other States	10,000	14,265
Total	303,462,887	306,484,728

The Outlook

Midwest Refining Co. best typifies the development of the oil industry in Wyoming. Its interests lie wholly within the state. It is the first big company to make good there. Its future is assured by the production which it already has developed.

But what is the outlook for new capital in Wyoming? This money must run its risk in a most hazardous business—development of new oil lands.

That risk, it can be stated, is no greater than that in Oklahoma ten years ago. In the last-named state there were favorable indications which subsequently grew into proof, that a great oil field had been found. In the judgment of oil men Wyoming today is in the same position as Oklahoma then.

A great deal of money is going to be made in Wyoming oil properties, but not all the companies operating there, or that will operate there, will make money. The mortality among new oil companies is heavy. It will be unusually so in Wyoming because that state is a rich man's field. The wells have to be sunk deep, in some cases more than 3,000 feet, at an estimated cost of from $30,000 to $50,000 a well. A few dry holes and a company with limited capital is bankrupt.

But if an investor will exercise the same caution about an oil investment as he does in railroad or industrial stocks, picking the companies with sufficient money resources and with clean-titled acreage, he should find his Wyoming oil investments returning large dividends.

Oil Notes

Atlantic Ref.—Damages estimated at $750,000 and the death of one man was caused by fire at the Point Breeze plant of this company.

Barnett Oil & Gas.—Declared a regular monthly dividend of 1%, and an extra dividend of 1%, payable Sept. 1 to holders of record Aug. 15. A month previously initial dividends of the same amount were declared.

Bessemer Oil.—Drilling in section 36 in the Salt Creek field in Wyoming has brought in a 300-bbl. well.

Cal. Pet.—This company and subsidiaries report net earnings of $1,135,780 for the year ended June 30, 1917, before making depreciation allowances, etc. This compares with $662,569 for the corresponding period last year. After allowing for depreciation, exhaustion of oil deposits, 5 cents per barrel and other expenditures on old properties, and after paying interest on outstanding bonds, the balance applicable to the pfd. stock is approximately $870,000, which is equivalent to 14%.

Cosden & Co.—Is offering 640,000 shares additional common stock to shareholders at $10. The proceeds, amounting to about $6,400,000, will be used in part to pay outstanding purchase money notes assumed when the Hill properties were acquired, and the balance for additions and extensions and for the completion of new stills.

Galena-Signal.—Arranged to purchase all of the Franklin crude oil that had accumulated in the tanks of the Franklin Pipe Line Co. since the Galena company began, on April 1, 1915, taking only 70% of production. There are about 25,000 barrels in storage, which is worth $4 a barrel.

Indian Ref.—Declared a dividend of 7% on the pfd. stock, payable Aug. 20 to stock of record Aug. 4. This distribution covers the accumulated dividend due for the quarters ending Dec. 15, 1915; March 15, June 15 and Sept. 15, 1916.

Knickerbocker-Wyoming.—Announced the acquisition of about 1,750 acres of oil lands in Bourbon and Crawford counties, Kan., on which a well is being sunk, making in all 14 wells now being drilled.

Midwest Ref.—Secured control of the Merritt Oil Corp. The Midwest Refining Co. has now acquired from A. E. Humphreys and his associates their stock holdings in the Merritt Corp., which with its land holdings hitherto acquired, gives it control of the Big Muddy field, which promises to be the largest oil producing field yet opened in the State of Wyoming.

National Ref.—Declared an extra dividend of 2½% on the common stock, in addition to the usual quarterly dividend of 1½%, payable Aug. 15 to stock of record July 31. An extra dividend of the same amount was declared three months previously.

Oklahoma Prod. & Ref.—Has brought in four wells on the Osage Hominy lease within the previous week. The first new well ran 100 bbls. daily, the second 200 bbls., the third 2,500 bbls. and the fourth 450 bbls.

Osage Hominy.—Four new wells, with an initial production of 3,450 bbls. a day, have been brought in. These wells are among the largest producers in the Mid-Continent field.

Royal Dutch.—Net profits in 1916 were $13,117,000, against $12,040,000 in 1915. Cash on hand amounted to $13,000,000 against $2,230,000. Total production amounted to 35,600,000 bbls., against 28,400,000 in 1915. Of this amount 9,493,400 bbls. was produced in the U. S., against 4,522,600 in 1915.

Sinclair Gulf.—A 6,000-bbl. oil well in the new Damon Mound, Texas, field, has been reported by representatives of this company.

Sinclair Oil & Ref.—For the quarter ended June 30, 1917, showed a gross income of $3,075,636. Deductions totaling $420,966 for Federal taxes, interest on bonds and notes, and $285,797 reserved to meet probable future excess profit taxes, left a net income for the quarter of $2,654,670. The company is marketing $20,000,000 in new notes to finance its enlarged expansion program, for which the sum is expected to prove ample.

Standard of N. Y.—Announced an advance in the price of kerosene and naphtha for export of 1 cent a gallon.

Texas Co.—The annual report of this company, which will be made public the latter part of August, should show net earnings close to $20,000,000 for the year ended June 30, 1917. In 1916 the company earned $15,746,735; the gross earnings amounted to $37,708,382 and operating expenses, taxes, etc., to $21,961,649.

Tidewater.—This company and subsidiaries reported for the six months ended June 30, 1917, net earnings $4,976,492 as compared with $4,519,888 for the six months ended June 30, 1916, and $1,411,258 for the six months ended June 30, 1915. This was after deductions for excess profits tax, amounting to $235,000 and special deductions of $998,931. On the same basis as last year, its net for the six months would have figured $6,210,424. The net earnings for June after deductions of $203,871 were $895,386, as compared with $1,256,624 for June, 1916, and $337,134 for June, 1915.

Federal Smelting—A Dying Mine

Suffering from Ore-Exhaustion—The Small Chance of New Ores—Forcing Production on High Metal Prices—The Way to Regard Its Stocks

By CHESTER C. JOHNSTON

A DYING mine is a good deal like a dying person, except that the period preceding dissolution is measured in months or even years while in the case of a human being it is more often measured in days. Federal Mining & Smelting is a dying mining property, yet it holds to life with a grim tenacity and apparently has several years more left of corporate existence. The graphic which accompanies this article shows the disease from which it suffers—exhaustion of ore reserves—that old age of mines which eventually comes to all properties.

A Ripe Old Age

Federal Mining & Smelting was incorporated in 1903 and is, therefore, now in its fourteenth year. In all probability it will have lived a double decade before the last bucket of ore is hoisted from its shaft, and as mining properties go it will have had a fairly long life

The story of the discovery and the career of Federal Mining & Smelting would make an exceedingly interesting one if space permitted its telling here. Sufficient to say that with its career have been linked such names as Rockefeller, Gould, Guggenheim, Sweeney and others of more or less financial fame. It has made great fortunes and swelled those already great. They who sold out their holdings in the big markets of 1906 when the common just stopped short of reaching $200 per share, realized rich profits, while those who had the ill luck or bad judgment to buy at inflated prices have never had an opportunity to get out even and probably never will. Federal has seen golden hopes realized and bright dreams dissipated and over its properties and valuable smelting contracts many a bitter legal battle has been fought. Its career has been spectacular but its end seems likely to be colorless and uninspiring—a wasting away until the point is reached where its scanty remaining ores can no longer be profitably treated.

Refractory Ore Bodies

It is not generally known that the Federal Mining & Smelting Co. is the largest producer of lead in this country. Last year its shipments totaled 137,390 tons, or nearly 275,000,000 pounds of the heavy metal. This is nearly one-quarter of the entire production of the United States, which in 1916 made a record total of 558,200 tons. Federal is now obtaining its ores chiefly from four properties, the Wadner, Morning, Mace and Green Hill-Cleveland groups. The ore reserves of these groups stood as follows on January 1, last:

Wardner	**19,300 tons**
Morning	**763,700 tons**
Mace	**7,200 tons**
Green Hill-Cleveland	**16,900 tons**
Total	**807,100 tons**

As the company treated more than 700,000 tons, round figures, last year, it will be seen at a glance that outside of the Morning the ore reserves of the other properties are negligible and all total but a little more than a year's supply at last year's rate of treatment. The Morning property has always been the backbone of the Federal group and until its ore bodies changed in character, about ten years ago, it promised to enable the company to earn handsome profits on its stocks for some years to come.

The Morning ore became what is known in mining terms as "refractory." That is to say, instead of containing a crystallized ore, it turned at depth to an ore body whose metal particles were disseminated instead of being in more or less crystalized form, and this added greatly to the difficulty and to the cost of extraction. The management spent large sums of money on attempts to solve the treatment of the refractory ore, with but indifferent success. Certain changes and

improvements, including the installation of the oil flotation system, were inaugurated, which helped considerably, but to date the problem is still unsolved. Even Thomas A. Edison was unable to crack that hard mining nut, although he devoted considerable attention to the matter.

Federal's Life

There are two sure cures for a mining company suffering from ore-exhaustion. One is the discovery of new ore bodies on the company's own lands, and the other is the acquisition of other mining properties. Nevada Consolidated is an example of a company which found new ore on its own grounds and Granby Consolidated is one which added years to its existence by acquiring new properties.

What are Federal's prospects along these lines?

The writer is inclined to the belief that they are not great. The management of Federal is an excellent one, it has an available working capital of approximately $1,600,000 and with its Guggenheim backing could doubtless obtain any funds necessary for developing or purchasing new properties. It may be assumed that those whose interests lie with the company have literally left no stone unturned, especially since the long-term ore-treatment contract which the company has with the American Smelting & Refining Company is exceedingly valuable to the latter. One can never say in the case of mining properties that no new ore bodies will be uncovered, but in the case of Federal after all these years the probabilities are much against the discovery of any important new ore reserves.

Seeking New Properties

That the management is energetically seeking to acquire new properties and the success, or rather lack of success, attained along that line is indicated by the following statement of President Brownell to the shareholders:

"In the effort to secure additional properties, the company's engineers, during the year, examined forty-one prospects and mines, at a cost of $3,684. None of them was considered available. Of these properties twenty-two were located in Idaho, one in British Columbia and ten in Montana."

Mill of the Federal Mining & Smelting Co.

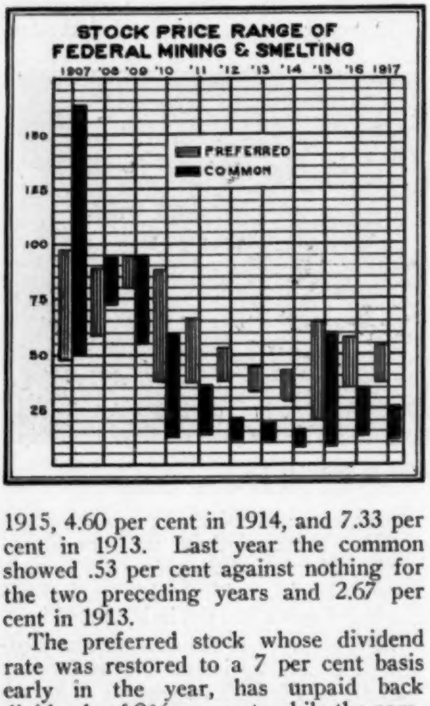
In a property of the character of Federal it is all but impossible to forecast its term of life with any degree of exactness. Although the company has developed ahead but a little more than a year's ore, experience shows that the ore actually in sight must not be taken as the basis for figuring the life of the property.

For instance, the company mined 700,000 tons during last year and the ore reserves decreased only 8 per cent. But it may be taken for granted that while Federal may operate for some time to

come, those who direct its affairs see the end in eight as evidenced by their efforts to acquire new properties.

Outlook for Stock

The idea in connection with Federal seems to be to make lead while the war lasts, i. e., to push out the metal in order to take advantage of prevailing high prices for the metal. Last year shipments jumped to 137,390 tons, compared with 75,449 tons for 1915, which was a gain of 82 per cent. Earnings in 1916 were equivalent to 7.27 per cent on the preferred, as contrasted with 2.51 per cent in 1915, 4.60 per cent in 1914, and 7.33 per cent in 1913. Last year the common showed .53 per cent against nothing for the two preceding years and 2.67 per cent in 1913.



The preferred stock whose dividend rate was restored to a 7 per cent basis early in the year, has unpaid back dividends of 9¾ per cent, while the common pays no dividends and hardly seems likely to go on a dividend basis, at least in the near future. Present rate of earnings would seem to insure the present dividend rate on the preferred for the current year and perhaps something on the back dividend account.

Federal's plan of forcing production while metal prices are high, although it depletes the ore reserves much faster, is good business. May earnings totaled $217,016 after all charges, as compared with $204,587 for April. These earnings are at the rate of $28 per share on the common after the 7 per cent preferred dividend, or between $12 and $15 on the common after deducting the back preferred dividends.

As long as the war lasts and lead prices remain high Federal will unquestionably continue to show large earnings, but it must not be forgotten that Federal is a rapidly liquidating proposition, and according to President Brownell, some of its mines cannot be operated at a profit on normal metal prices. The chances of new ore bodies being uncovered or purchased do not seem promising, although both happenings are quite within the realm of possibility. Not counting what might be salvaged from the mines and equipment, which are carried on the company's books at $18,000,000 (that being the par value of stock outstanding) the company had net assets on January 1, last, of between $14 and $15 a share on the preferred. At 22-26 for the common and 52 for the preferred the present favorable factors in the situation seem to have been fairly well discounted.

Whether the investor takes advantage of the present better market for Federal's securities to dispose of his holdings at this time depends largely upon whether he is temperamentally conservative or speculative. On the one hand is the prospect of earnings large enough to warrant present or even higher prices if the war continues, or the possibility, albeit slight, that new ores will be discovered or new properties acquired. On the other hand, there is the outlook, with the end of the war, of a slump in lead prices and a corresponding slump in Federal's earnings and quotations for its stocks. We leave the individual investor to determine his course of action. In any event, conditions and prospects do not warrant purchasing Federal stocks at this time.

Mining Notes

Amer. Smelt. & Ref.—The N. Y. Stock Exchange announced that application has been made to list this company's $46,256,400 first mortgage 30-year 5% bonds, Series A, due April 1, 1917.

Anaconda.—Selected a site for a rod and wire mill to be built at Great Falls, Mont. It will be ready for operation in the spring of 1918. The capacity of the mill will be 200,000 lbs. of copper rods and 85,000 lbs. of copper wire, working on eight-hour shifts. The investment will be about $500,000. In July produced 12,400,000 lbs. of copper, compared with 20,400,000 lbs. in June and 28,400,000 lbs. in May. July, 1916, production was 28,200,000 lbs.

Braden.—One of the largest export contracts for wooden pipe ever placed has been let by the Braden Copper Co., of Chile, to the Redwood Export Co. The order calls for 2,800,000 feet of 4 x 6 rough clear California redwood pipe stave stock, to be used for a pipe line 30,000 ft. long on the Braden company's Chilean property. The total cost of installation will be in the neighborhood of $1,000,000. In July produced 6,050,000 lbs. of copper, compared with 5,002,000 lbs. in June and 2,760,000 lbs. in July, 1916.

Butte & Superior.—July production was 1,395,000 lbs. of zinc in concentrates. Strike conditions made necessary to remill tailings carrying a zinc content of 2%, of which 16,500 tons were treated with a recovery of 70%, making concentrates with a grade of from 34% to 35%. The concentration ratio was 27 to one. There were 2,800 tons of ore mined during July averaging 16% zinc, this ore concentrating with recovery of 96%.

Cerro de Pasco.—Production for July was announced as 6,262,000 lbs. of copper, compared with 5,032,000 lbs. in June, 4,670,000 lbs. in May and 5,936,000 lbs. in April.

Consol. Ariz.—For first six months of 1917 earned net profits of $554,333, against $409,503 in the same period of 1916. Copper production was 9,480,000 pounds, comparing with 4,131,000 pounds, the increase being largely due to custom ores.

Goldfield Consol.—During May produced 23,300 tons, from which resulted a net realization of $10,186. There was 1,186 ft. of development work done at a cost of $6.51 per foot.

Granby Consol. Mg., Smelt. & Pr.—Grand Forks smelter is rapidly getting its copper production back to normal now that a sufficient supply of coal is assured by the ending of the strike of miners at the Crow's Nest Pass Coal Co. Four furnaces are now in operation. Two more will be blown in during the next few days, which will leave but two idle.

Greene Cananea.—Declared a regular quarterly dividend of $2 per share, payable Aug. 27, to stock of record Aug. 15. The dividend is payable only upon the $100 shares into which the capital stock is divided. All stockholders who have not converted their holdings into $100 par value should do so without delay in order that they may receive their dividend promptly.

Island Creek—Pond Creek.—In the six months ended June 30 production of the Island Creek Company was 957,924 tons as compared with 1,173,594 tons in the same period of 1916 and net profits were $1,046,000, or $6.90 a share, as compared with $478,429, or $4.00 per share for the same period of 1916. Pond Creek showed a larger percentage of gain with production of 523,062 tons as against 484,405 tons for the first six months of 1916, and net earnings of $635,000 after all charges, or $3.17 a share, as against $101,494, or 50 cents per share in the same period in 1916. In the case of both these companies, the first quarter's earnings were realized on the basis of prices prevailing during the greater part of 1916.

Isle Royale.—Extension of electric haulage at Isle Royale is expected to increase production by next month at the very latest. The mine has nine motors ordered and half of them are to go into No. 4 shaft, where rock of high mineral value has been encountered.

Miami.—Has been entirely closed down since July 1 owing to the labor troubles. Numerous reports have been published, stating that Miami was producing, although in a greatly curtailed degree. Miami productions for June amounted to 5,349,000 lbs. of copper, but since that time no further production has been made.

North Butte.—Earned $257,756 in quarter ended June 30 after making deductions for fire damage, shut down expense and compensation and liability claims. Dividend of $1 was paid requiring disbursement of $430,000. Surplus on June 30 stood at $5,855,541. Production in the quarter amounted to 4,601,067 lbs. of copper, 224,074 ozs. silver and 305 ozs. gold. From zinc ore there was produced 676,263 lbs. zinc and 4,319 ozs. silver. Earnings after deducting payments are at the rate of approximately $2.30 per share annually on the outstanding stock.

Shattuck Arizona.—Company's surplus of $660,732 for the quarter ended June 30, 1917, is equivalent to $1.88 a share earned in the period on $3,500,000 capital stock of $10 par value, or at an annual rate of $7.52 a share. This compares with an annual rate of $7.88 a share the year before.

United Verde.—A full force of men is at work at the mine and smeltery there. Operations were started July 1 with the aim of producing 8,000,000 lbs. of copper during the month. June production established a new high record when 5,200,000 lbs. copper were shipped from Jerome.

Mining Inquiries

Tenn. Cop. & Chem.

T. McC., Steubenville, Ohio.—Tennessee Copper & Chemical is, we assume, the stock you refer to as Tennessee Copper. This stock is speculative, but as a speculation it has certain features to recommend it. The company is fast working into a stronger position—we refer now to the Tennessee Copper Co., for which the Tennessee Copper & Chemical Corporation is the holding company. However, it will be a long time yet before dividends may be considered a possibility and for that reason the stock is not desirable to purchase just now when the trend of the market is downward.

Ray Hercules

M. M.—Ray Hercules is not likely to go against the current of a declining market. The stock has certain meritorious features to recommend it as a long pull speculation, but in view of the fact that you are likely to have an opportunity to pick it up at a lower price, we suggest that you defer any contemplated purchase.

As to the statements contained in the clipping you enclose, would say that these are a fairly reasonable summary of the outlook, but there are always so many uncertainties in the future of mining properties, and especially of those properties at the early stage of development of Ray Hercules, that it is always better to accept optimistic estimates of earnings, etc. with a grain of salt. You may be quite sure that the object of market letters from fly by night stock brokers is to induce the recipients to buy stock. These letters have a way of painting word pictures in much brighter colors than is warranted by the actual conditions.

Silver Stocks

L. W., Freeport, L. I., N. Y.—Nipissing has an authorized capital of 1,200,000 shares, all outstanding, par value $5.00. The company is the holding corporation for the Nipissing Mining Co., Ltd., which owns 846 acres in the heart of the Cobalt District, Ontario, Canada, comprising a compact group. The company has produced over 40,000,000 ounces of silver since it started operations. It is still one of the largest of the silver mining companies. The property has not a great amount of high-grade ore, but there is enough low-grade ore to permit the company to operate profitably on present silver prices for a long time to come. As silver prices should remain high for several years at least following the close of the war, we expect Nipissing to go on making good profits and paying good dividends. The stock may be regarded as a good speculative investment for that reason.

Kerr Lake has an authorized capital of 600,000 shares, all outstanding, par value $5.00. This company owns the entire capital stock of the Kerr Lake Mining Co., Ltd., an Ontario corporation. The operating company owns 57 acres in the heart of the Cobalt District, Ontario, Canada. As the ore reserves of this company are considerable, it is reasonable to suppose that with high silver prices it will be able, for some time yet, to maintain current dividends, perhaps to increase the rate. The speculativeness of the stock lies in the fact that the life of the mine is uncertain. As a speculation the stock is rather attractive.

Ontario Silver

W. H. M., Chicago, Ill.—Ontario Silver is a speculation pure and simple. The stock was advanced to the unwarrantably high level of 11¾ in 1916. It may again return to that price, but frankly the outlook is not encouraging for expecting any such performance, in the near future at least. Dividends are a remote possibility. The mine was formerly a profitable one, but all the known high grade ore has been exhausted, and the only hope now is that by dint of persistent effort and through good management the company may be able to operate with some profit by handling a large amount of low grade ore at the high prices now prevailing for silver. Of course, there is always the possibility that new ore bodies may be discovered. You would assume a very large speculative risk in buying the stock. We do not recommend that you do so.

Ray Consolidated

M. E., Pittsburgh, Pa.—Ray Consolidated is certainly not in a favorable investment position. Not alone are the possibilities in connection with Government taxation, price fixing, etc., against an advance in the stock, but the trend of the copper metal market appears to have reached the turning point. Lower prices for copper metal are particularly unfavorable from an earnings' standpoint because of the very much increased costs of production. We suggest that you protect your Ray with a stop order and be ready to close it out on any good rally. From a technical market standpoint the probabilities favor a good rally.

Utah Metal & Tunnel

I. R., Norwich, Conn.—Utah Metal & Tunnel is highly speculative, and we consider the stock very risky to hold at this time. If you are willing to tie up your money for possibly a long period in the expectation that eventually you will reap very good profits, we can recommend your switching into United Eastern, for this stock has excellent possibilities for the long pull. Of course, it is speculative, all mining stocks are, but as a speculative mining issue it is extremely attractive.

UNLISTED SECURITIES

Unlisted Munitions Stocks

Maxim Munitions and Aetna Explosives—Doing Better But Lack Working Capital—Splendid Record of Marlin Arms—An Interesting Analysis of Hercules Powder

By EDWARD KNIGHT

"I AM positive that the stocks of those companies which have the facilities to turn out products which the United States Government will need in this war are going to have another rise."

This statement comes from a man who, closely affiliated with interests which did a lot of buying in this country, for the allied governments early in the war, has kept close tabs on the ammunition business throughout the period. He is very closely connected with a company which has already done a big business in war materials, and which is now negotiating with the United States Government for a good sized contract. Having in mind the Maxim Munitions Co., and the Aetna Explosive Co., I asked him if he thought companies deficient in working capital would participate in this turn. He replied that if they had the capacity to turn out what this government needs, then the money to supply working capital would undoubtedly be arranged for.

Many Exceptions

This manner of reasoning appears to have a good deal of logic to it. Coming from such a source, I place a good deal of confidence in the statement. However, even though the war shares may have another turn, that does not mean that all of those companies which shared in the boom of 1915 and 1916 will participate. Some of these companies have had to pay dearly for the experience they had in war contracts. This applies to such companies as Westinghouse Electric and Baldwin Locomotive. But some companies either were already in a business of supplying materials used in war, or were organized to carry on such a business. The experience of some of the latter was not a decided success.

For example, those who purchased into Aetna Explosives and Maxim Munitions received a very bad scalding. But these two companies have finally got their plants going in good shape and in a position where they can easily handle orders from this government. Both are sadly deficient in working capital. If the government can see its way clear to finance orders which it gives to these companies, then the outlook for both is bright and higher prices for the stocks of both ought to be in prospect. If not then the holder of stock is in a decidedly speculative position. There is good ground for believing that means will be supplied for financing their requirements.

Other unlisted munition, but higher priced stocks in which there would seem to be good prospects are Marlin Arms, Hercules Powder and E. W. Bliss.

Maxim Munitions Awakens

Authentic news on Maxim Munitions is very hard to get. The management was always very secretive. President J. W. O'Bannon came out in a signed statement recently in which he took exception to wild statements that brokers were making about earnings. In this statement he said that the company had recently taken orders from an allied government for 250,000,000 cartridges. It is completing an order from the Danish Government, and is understood to be working on U. S. Government orders. No official statement of earnings has ever been made public. In a way therefore, in diagnosing the position of this stock, one is working more or less in the dark. But President O'Bannon did make the

statement recently that the orders now on the books could probably be filled on a profitable basis. It is said unofficially, that these contracts will approximate over $7,000,000. As a matter of fact they will probably total a greater gross than this.

Weak in Working Capital

While the Maxim Munition corporation originally intended to manufacture machine rifles, I am told that the company has not as yet manufactured any. At the present time it is operating two plants, one at Watertown, New York, and another at Derby, Conn. As of March 1, last, orders on the company's books were reported as follows: 5,000,000 cartridges for the U. S. Government, 30,000,000 cartridges for the Danish Government, 500,000 Russian bayonets for the New England Westinghouse, and some miscellaneous orders. The balance sheet as of March 1, last, shows current assets of $750,000, of which approximately $121,000 is in cash. Current liabilities were $740,600. It is obvious then that the company last March was weak in working capital. The total appraised value of the property is reported to be $1,468,000. The company has recently purchased the cartridge machinery of the Kathodian Bronze Company. This will increase its capacity, and now that it has substantial orders on its books, ought to place it in a position where more can be expected of it than in the past.

The company has an authorized capital of 1,000,000 shares, par value $10 per share, of which 650,000 shares are outstanding. The property therefore is selling on the market for about $1,200,000. Preceding the stock is a bond issue, of $500,000 first mortgage 6s convertible into stock at par. It is impossible to get any official statement of earnings, but unofficial statements are to the effect that the company is today earning at a rate close to the present selling price. It is in this of course that the gamble lies.

It would seem from the recent statement of the president, that the present management has decided on making the company as successful as possible. The company's quarters in New York look more businesslike than they did when the stock was a mere promotion and when the chief interest of the original management seemed to be centered in selling stock, and it would seem that with its working capital position strengthened, it would be in a position where the price of the stock should do better. The stock has been very much more active recently, and has sold up to 2½. There has been no opportunity for anyone to unload since that time, and as a matter of fact there would seem to be an inclination on the part of insiders to hold it down.

Marlin Has Made Good

Marlin Arms has never made public a financial statement of any kind. But it has made good the expectations of its promotors with a vengeance Recently the stock has had a big jump in market value. A director who set the writer right in the stock, when it first came out early last year, only the other day spoke in a highly optimistic manner. He was correct in his expectations at that time, and there is reason for believing that he will be correct in his present diagnosis.

The Marlin Arms Corporation, or as it is now known, The Marlin Rockwell Corporation, has the largest capacity for manufacturing machine guns of any company in this country. It manufactures the Browning gun, under a license from the Colts Patent Fire Arms Co. It now has a daily capacity for about 200 guns per day. This I understand compares with a capacity of about 50 guns for the Colts Co. itself. The latter company was recently reported to have been awarded an order for 20,000 guns by the U. S. Government. Officials of the Marlin will not say whether they have orders or not. At all events it is known that negotiations are on, and people in close touch with the situation, say that undoubtedly the company will receive large orders at prices which will allow good profits.

A Successful Record

The company has been very successful on its first orders. In fact it had a contract with the British Government for the manufacture of Colts Automatic

1914 model machine gun. This is the Browning gun. The contract was modified several times, but finally completed at a good profit. This profit is indicated by the fact that the $3,500,000 7 per cent preferred stock was fully retired out of profits last January. Of course the company can hardly expect to get the profit out of orders from this country that it has been getting. The old company had only 60,000 shares, but the new company, when the plan is finally completed, will have a capital of 81,166 shares. This is not a large capitalization, especially by virtue of the fact that there is no other security or lien ahead of it.

When plans are finally completed the Marlin Rockwell Corporation will not only be in a position to profit from war orders, but it will be on a profitable basis, and doing a regular domestic business in other lines, particularly in roller and ball bearings. Mr. Rockwell, the president, has had good experience in this, as he was formerly head of the New Departure Co., one of the successful subsidiaries of the United Motors. As a matter of fact, it was on the basis only that he should be president of the company, that this company received the large contract for machine guns that it did from the British Government.

There is a big profit in the machine gun industry, and the business is of such a nature that the government cannot restrict prices as it can in steel products and the like. It can take away a large part of the profits through taxation, but this it can do to any corporation.

It is very probable that there will be some reaction from present prices, and if so the stock should offer the basis for a very good speculation. The management will make no statement in regard to dividends. In fact it is practically certain that no dividends will be paid until a big working capital has been established, and the company placed in a position where it can earn satisfactory dividends in peace times.

The Rejuvenated Aetna

The record of the Aetna Explosive Company is not one of which the original promotors and early management can feel proud. It is distinctly the opposite. Organized early in 1915 to manufacture explosives, it consolidated several old plants and later built several fine modern and up-to-date plants. It now has twenty-three plants. Stockholders have subscribed a great deal of money. Almost $5,500,000 preferred stock was originally purchased by the public, around $85. Common stock to the amount of $7,000,000 was issued, which at one time sold up to 180. It also sold an issue of $2,000,000 notes and later the bankers were found holding notes to the amount of $2,000,000 more. Here then we can account for close to $13,000,000 raised for this property, figuring the common at 60.

A financial readjustment became necessary. Common stock to the amount of 630,000 shares of no par value was issued. Stockholders received 210,000 shares in exchange for their old stock, while the remaining 420,000 shares were offered at $20 per share subject to an underwriting profit of 10 per cent. From the proceeds the $4,000,000 notes were paid off. The net result meant that over $17,000,000 has been raised for this property. Yet it has never been a success. Finally last April receivers were placed in charge.

$17,000,000 Expended

Since Receivers Holt and Odell were placed in charge, the company has taken on a new lease of life. The stock has had a good advance and if the courts decide in favor of the company in the matter of a suit over commissions on a munitions contract, the outlook is decidedly good. This company, for which approximately $17,000,000 has been raised in the last two and one-half years is now selling in the market for not over $9,000,000. This includes the $2,958,800 due to creditors, on May 31, last, and takes account of the preferred and common stocks at their present market value.

Here then is a fully and modernly equipped explosive concern, selling at a price equal to about 60 per cent of the money put into it recently; already working on orders and ready to take on more and for the first time probably operated efficiently. For the first time in the company's history it is not asking credit and is discounting its bills promptly.

Under the receivers the properties

have shown splendid results. In the six weeks from April 20 to May 31, the company after interest charges, but before amortization, earned $533,000. This is at a rate equivalent to about $4.70 per share. This, of course, is better than can be realized right along.

Matters are developing to a point where, before long, this property can again be turned back to the stockholders. It is expected that in the period between June 1 and December 31, 1917, the company after depreciation on domestic plants, but before amortization of military plants, can show profits of around $350,000 per annum. Even though expected profits were reduced $100,000 this would be $250,000 per month. This would be at the rate of $1,750,000 for the seven months. Add to this the profits of $533,000 for the six weeks above mentioned and we get a total of about $2,283,000 for about 8½ months. This, after preferred dividend requirements, is equivalent to about $3.26. It is at the rate of about $4.50 per share per annum.

A Business of $45,000,000

The company last year did a business of approximately $45,000,000. This, however, because of a very drastic lack of working capital, poor financing and poor management, was unprofitable. The receivers since they have assumed charge, have reduced the amount owed creditors from $4,900,000 to $2,958,818. They have also introduced economies such as a reduction of about $200,000 in the rental of the company's New York office. They have put the Canadian plant on a profitable basis, and also several smaller plants, and they have succeeded in getting the French Government to modify its contract. The company through this will not have to carry such a large stock of raw material and thereby a good deal of money will be released for additional working capital.

It is obvious, then, that its financial position is stronger probably than at any time in its history. It is already working on a smokeless powder contract for the U. S. Government, and said to be very satisfactorily meeting the requirements. This government will not hesitate at supplying the funds necessary to get out the product.

Under the old management I would have advised against dealing in this stock, but it is an altogether different proposition today. It is only necessary for stockholders to protect themselves with the proper management when the court gives the property back into their keeping. The stock has already discounted a part of the improvement that has taken place. It ought to sell higher as it outlives its past.

Hercules Powder Prospect

A great many people feel that so far as large profits are concerned the clock has struck twelve for the Hercules Powder Co. But a close analysis of the situation, nevertheless, indicates that the common stock of this company today has a high degree of attractiveness about it. It can be purchased to yield about 6.23 per cent and it can either maintain its present dividends well into the future or it has liquid assets which it can distribute to a value that would neutralize or offset any decline in market value.

MUNITION STOCKS PRICES

	High	Low	Present
Maxim Munitions	13¼	1¾	2
Aetna Explosives	25⅛	1¼	7
Marlin Arms	118	22	115
Hercules Powder	450	117	245

The great artillery contests in the war today uses up enormous quantities of explosives. The extensive mining operations as a result of the war, consumes enormous quantities of black powder and dynamite. The successful manufacturers of these products have made tremendous profits and have paid very big dividends. The Hercules Powder Co. has been one of these. The company is one of the largest manufacturers of dynamite and blasting powders and manufactures black and smokeless powder. It was organized late in 1912 and in 1913 and 1914 earned 15.65 per cent and 14.32 per cent respectively on its common stock. In 1915 it earned 63.19 per cent on this issue and in 1916 it reported earnings equivalent to 227.25 per cent. The common stock received only 3 per

cent in 1913, received 8 per cent and 16 per cent respectively in 1914 and 1915 and in 1916 received 95 per cent, of which 47½ per cent was in Anglo-French bonds. In the first half of the current year it has paid 8 per cent in cash and 47 per cent in Anglo French bonds.

When this last dividend was announced the management stated that there still remained over $9,000,000 out of the earnings of the last two years. This is equivalent to about $125 per share and is being used for working capital with the intention of paying it out in dividends when conditions warrant it. The earnings of the last two quarters have been on a declining scale. Net profits, however, for the six months, after preferred dividends, were $3,163,800, the equivalent of over $41.50 for each share of the $7,150,000 common stock. Eight dollars of this was paid out in dividends. This means, then, that on June 30, 1917, there remained out of the earnings of the last two and one-half years an amount equivalent to about $158.50 per share. As this will probably be paid out in dividends eventually, this means that the stock really can be carried at about 97.

Of course, if it were paid out in dividends this would mean a reduction in regular dividends. But the company, as shown above, has already given a good account of itself in peace times, when its earnings closely warranted dividends at the rate of 8 per cent. This method of figuring makes the stock look cheap at present prices.

Mining operations are again beginning to pick up. So also government orders are increasing. The business of this company, therefore, should and is expected to increase. But suppose net profits of the last half of the year are no better than those of the first. Even this portends profits of over $6,700,000, or $6,325,000 after preferred dividend requirements. The U. S. Corporation management deducted about 37 per cent from its net profits to provide for expected taxation. Deducting such a taxation provision for the Hercules would leave earnings of about $3,847,000. This is equivalent to about $54 per share. This would mean that at the end of the year there would remain out of the earnings of three years, a balance equivalent to $163 per share.

The situation, therefore, that confronts the stockholder of the Hercules Powder Co. is this: The company can maintain the present dividend for an indefinite period. Or, if the management decides to pay off in dividends the accumulated earnings of three years, the price of the stock could be written down to about $82 per share. Surely there is plenty of encouragement here. As a matter of fact, net tangible assets by the end of the year will undoubtedly be in excess of $100 more than the present market value of the stock.

NECESSITY'S MOTHERHOOD

Mounting operating costs with no balancing increase in revenues has forced utilities throughout the country to "turn the penny over twice before spending it." The adoption of efficiency methods where the saving was heretofore not considered worth the trouble has paved the way for future substantial earnings. One traction company has planted catalpa trees along its right of way which will be available for fence posts and ties in from eight to ten years. Another has discovered that by splicing in new strips of rattan a goodly saving is effected in seat covering. Splicing of copper feeder cable has been figured to the point where it is known just what length of conductor can be economically spliced or thrown to the scrap heap. The labor question has evolved the one-man safety car and two-car train units.—*The Wall Street Journal Straws.*

Unlisted Security Notes

Aetna Explosives.—Balance sheet, as of June 30, 1917, showed profit and loss surplus of $1,127,841, and total assets and liabilities of $31,190,124.

Amer. Brass.—Declared an extra dividend of 11%, in addition to the regular quarterly dividend of 1½%, payable Aug. 15 to stock of record July 31. Three months ago 1½% regular and 11% extra was declared.

Amer. Linen.—Declared the regular quarterly dividend of 1½% and an extra of 1%, payable Aug. 1 to stock of record July 20.

Automatic Elec. — Passed the quarterly dividend of 1% on the capital stock. The last previous quarterly dividend was also passed by reason, as then explained by President Harris that the company had to carry unusually heavy inventories and financial conditions were uncertain, although business was good and earnings exceeded dividend requirements.

Bolivian Cattle Ranches.—Filed notice at Dover, Del., of an increase in capital stock from $500,000 to $750,000.

Certain-Teed Products.—Reports sales for the first half of 1917 amounting to $4,150,493.47 and net profits of $627,559.05, or over five times the amount necessary for the dividends on the first pfd. stock for the period. After setting aside $102,900 for the first pfd. dividend accrued to July 1, 1917, and $56,595 accrued to the second pfd., there remains $468,064.05, or $7.80 a share on the common stock for the period, or at the rate of over 15% per annum.

Diamond Match.—Earnings are said to be running at about 17% on the stock, after deducting liberal bonuses for employes and excess profits tax. This compares with 15.50% last year.

Eastern Steel.—Declared a regular quarterly dividend of 2½% and an extra dividend of 5% on the common stock. The regular dividend is payable Oct. 15 to stock of record Oct. 1 and the extra dividend Sept. 1 to stock of record Aug. 18. The regular quarterly dividends of 1¾% each on the first and second pfd. stocks were also declared.

Electric Auto Lite.—Company filed notice at Dover, Del., of an increase in capital stock from $13,000,000 to $15,000,000.

Ford Motor.—Produced 270,000 cars in three months to June 30, a yearly average of over 1,000,000 cars. This means 3,100 Ford cars completed every working day.

General Cigar.—The $654,265 surplus after charges is equivalent to $2.64 a share earned in the six months ended June 30, on $18,104,000 common stock after dividends on the pfd. stock, compared with $2.35 a share the year before. Dividends paid on the pfd. stock amounted to $175,000, and on the common stock $362,080. Balance sheet, as of June 30, 1917, showed profit and loss surplus of $3,309,677, and total assets and liabilities of $34,668,893.

National Acme.—Reported earnings for the first six months of 1917, showing net sales of $9,494,733, compared with $8,541,033 for the same months of 1916, an increase of $953,699. Net profits for the first half of the year were $2,510,002, compared with $2,839,882 for the first half of 1916, a decrease of $329,880. Net earnings for the first half of 1917 were equivalent to $5.01 a share on the company's capital stock, or at a rate of $10.02 a share for the fully ear.

National Cloak & Suit.—Reports for the six months ended June 30, 1917, net operating profit of $746,038, a decrease of $21,264 as compared with the same period of 1916. This is after providing a reserve of $63,938 to cover Federal and State taxes.

Nor. Amer. Pulp & Paper.—For the six months ended June 30, showed total earnings available for bonds, other interest and sinking fund of $632,106, so that after deductions of this requirement there remained a balance of $262,510.

Quaker Oats.—Declared a quarterly dividend of 3%, an increase from 2½%, the last declaration.

Sheffield Farms.—The company is offering pro rata to holders of the $1,000,000 common stock outstanding $200,000 additional common stock. Shareholders of record Aug. 1 have until Sept. 12 to subscribe to the new stock. The company's authorized common stock is $7,500,000 and pfd. $1,500,000.

U. S. Tire.—Upon receipt of the specifications of the Motor Transport Board of the War Department with respect the standardization of steel fastenings for demountable motor truck tires, the company promptly made extensive alterations in its factory equipment in order to manufacture this tire.

TOPICS FOR TRADERS

Should Business Men Speculate?

Conditions Under Which the Man of Affairs May Purchase Stocks—A Question of Fitness

By FRANK C. FORSYTHE

NOT long ago the writer had the pleasure of reading a little treatise on the question whether business men should buy stocks, which had been written by a well known author on statistical matters. The question, in a sense, is somewhat superfluous, because if business men did not buy stocks, who would buy them in sufficient quantities to make the business of issuing, underwriting and trading in stocks profitable?

The question whether a business man should buy stocks is, nevertheless, trite enough when applied to the individual. Business men as a class must be stock buyers, otherwise the business of stocks, one of the largest and most important in the commercial world today, must languish, and in the end fail. Every man in business, then, must answer the question for himself. It may be profitable for one man to deal in stocks; for another, of different temperament, it may be necessary to his peace of mind, and the success of his business, to leave the stock market severely alone.

Using Idle Funds

Aside from its economic status, which is too well established to need defense at the writer's hands, the stock market appeals to the business man, especially, as a convenient medium for the employment of funds either permanently or temporarily not required in his regular business. A man who would take capital needed in the development of his own business and use it in stock market operations would be a poor type of business man. Any business depending on the judgment of such a man would have little chance of success. And the same idea would apply to the stock market operations of that type of man. His is the type which invariably overtrade, who take a chance, and eventually "go broke" and blame Wall Street for all the entailing train of misfortune! Business men, in the opinion of the writer, should be buyers of stocks, under certain conditions, it is true, and they also should be sellers of stocks at such times as an overbrought situation in the market became manifest. And it is perhaps in the latter instance that the average business man needs the guidance of expert advise to a greater extent than in the first. From his banker, his broker, his friend "on the inside" perhaps—from many sources, reliable and otherwise, is advice pertaining to the time to buy readily forthcoming, but once in the market he is usually left to his own judgment in determining the time to get out. If his judgment is good, all is well; if his judgment is only that of the average man, he is certain to come to grief eventually.

A Question of Fitness

What type of business man should buy stocks? The answer is, any business man, big or small, who has accumulated a cash surplus not necessary to the conduct of his business, and who has the spare time and the inclination to make a serious study of fundamental economic relation to general business conditions, methods of those who make stock operations their only business, and the everyday characteristics or phenomena of price fluctuation. In other words, any business man with capital who is willing to learn the first principles of stock trading, as he was willing to learn those of his own business, can soon fit himself to trade in stocks with safety, and eventually, if he has the necessary perseverance, with profit to himself.

When should business men buy stocks? is, indeed, a much larger question. Yet there is also an answer, the accurate one,

as well, to this more difficult query. A certain clever wag once said, "Buy them when they are cheap and sell when dear," and so established a lasting reputation for himself. Admittedly his was good advice, its only fault being that it was not quite specific to be practical. Like the vast majority of opinion on stocks going the rounds daily, it is entirely too general in application to be of use to the average person interested in the market.

Buying When Stocks are Cheap

How shall one know when stocks are cheap? Considering that class of stocks known as seasoned dividend payers, the question lends itself to a ready solution through the means of comparisons. For instance, when an average group of say ten of that class of stocks return 6 per cent or more annually on the market price, it may be said that such stocks are cheap. When, on the other hand, the yield gets down below 4 per cent, one would be justified, in the light of past experience, in concluding that they were dear at prevailing prices. This method of appraising stock values has the merit of simplicity, and is one of the best and most reliable, when supplemented by other aids to judgment and sufficient market knowledge and experience to discriminate wisely in the selection of stocks to buy and sell.

But, unfortunately, the opportunities to put the principles of this method into actual practice occur so rarely that an active operator could not depend on it solely for guidance. The business man, having seasonable accumulations of idle capital which he desires to use in the stock market, must look elsewhere for a workable plan.

The article referred to at the beginning of this little talk put great stress on the desirability of the study of so-called underlying fundamentals, which the writer claimed controlled the long swings of the market, and upon the knowledge of which he claimed was based all the great, honest fortunes of the present day.

The Study of Fundamentals

Without in any way desiring to question the value of the study of fundamental conditions in their relation to the movement of stock prices, it is enough to state here that such study, as it has of late years been developed along most scholarly and scientific lines, appears, on comparison with more direct and less involved and less elaborate lines, at best a rather round about way to arrive at a market opinion.

Time and again it has been said that the stock market discounts coming business conditions. If this is so, then to study such conditions with a view of using them as a basis for forecasting the future movement of the stock market seems very much like getting the cart before the horse. If, however, it is not true that the market discounts the future, but follows business conditions, then it is obvious that the study of fundamentals is highly useful to those who trade in the stock market. Yet, even if the latter supposition were correct, it is also true that study of fundamentals would be for the purpose of determining a future condition, later fitting a market forecast to conform with the expected development of fundamental growth or depression, as the case may be.

So the business man interested in stocks has a choice, in the beginning, provided he is intelligently interested to the point that he is willing to to do any serious study at all, between the consideration of fundamentals and the market itself. For his own education in the matter perhaps it would be well if he were to investigate both.

Studying the Market Itself

What is there in the transactions as reported daily which lends itself to study? First, there are the price movements of the individual stocks; second, the daily turn-over in shares, known as "volume"; third, the element of time, that is, the number of minutes, hours, days, weeks or months used in making certain movements. Individual stocks are taken and considered separately and various groups of stocks, combined in what are known as averages, are also studied. Any business man who is interested in stocks to the extent of buying or selling in ever so limited amounts, can study these things to his profit and enlightenment.

(To be continued.)

Technical and Miscellaneous Inquiries

Short Selling

Q.—I presume it is not a practicable proposition or it would have been adopted by many before, but it would seem to me that there are possibilities in the idea of remaining long of one's favorite stock or stocks and going short of a similar amount in some other stock. This would, of course, necessitate the possibility of remaining short of a stock for sometime, and running the expense of paying the dividend, but this is no more expensive than paying interest to one's broker, that is for the portion purchased on margin.

I fear there is very little merit in this idea, but I will thank you for an expression of opinion regarding it. Why is there so deep-rooted an objection to remaining short of a stock over any period of time, say in the case of a stock like U. S. Steel, which can be easily borrowed, and the chances of being compelled to cover are so small?

Ans.—Your idea about going long of one stock and short of another as a spread, has much to recommend it, and is a method which has been adopted by some very large operators. It is not a mode of operation which would pay a novice, however. It has very good chances for success with one who makes an intelligent and very careful study of the market.

Stop Orders

Q.—I have a problem which I would like to have you solve for me, and would be very grateful for any information which you might give me.

I am a holder of 125 shares of Republic Iron and Steel Common. On May 28, 1917, I wired my broker at New York at 9 A. M. to place a stop at 91, and I received his report this morning stating that he sold at stop 100 shares at 91, the other 25 shares at 89⅜. Now, I question his rights as broker to sell my 25 shares below stop.

The above 125 shares were divided as follows:

Two certificates of 50 shares each and one of 25.

Will you be kind enough to enlighten me in regard to this matter by return mail?

Ans.—You apparently have a misconception of the meaning of the stop order. The stop order at 91 does not necessarily mean that you will get that price for your stock. The idea of the stop order is that when the stock sells at 91, your order becomes a market order and is sold at the best obtainable price. After Republic Steel sold at 91, the best bid may have been 90 for the stock, and in that case you would have received this for your 100 shares. We consider that you were fortunate in getting 91 for your 100 shares.

The 25-share lot would have been sold at a price below the 100 share lot on account of its being an odd lot. However, the price of 89⅜ would seem to indicate that there was a tremendous difference in the market, and we believe that the broker should make an adjustment, if both orders were in at the same time. We suggest that you write the broker and ask him to find out from the odd lot broker who purchased your stock what the bid price was at the time your 100 shares were stopped out at 91.

The fact that your certificates were divided into two 50 shares and one 25 has no effect whatsoever on the situation.

We also advise you to read the articles in THE MAGAZINE OF WALL STREET under the title of "Co-operating With Your Broker." These articles ran in recent issues (now obtainable in book form) and will give you full information regarding stop orders, and all other technical features connected with the transaction of stock business.

MARKET STATISTICS

	Dow Jones Avgs. 20 Indus.	Dow Jones Avgs. 20 Rails	50 Stocks High	50 Stocks Low	Total Sales	Breadth (No. issues)
Monday, July 30........	92.13	93.48	80.74	80.26	316,200	171
Tuesday, " 31........	91.75	93.57	81.11	80.39	487,700	182
Wednesday, Aug. 1........	92.26	93.63	81.02	80.55	249,100	144
Thursday, " 2........	92.87	93.84	81.39	80.89	354,700	175
Friday, " 3........	92.96	93.95	81.79	81.04	428,900	183
Saturday, " 4.......STOCK EXCHANGE CLOSED BY GOVERNING BOARD.						
Monday, " 6........	93.85	93.91	82.07	81.44	429,700	186
Tuesday, " 7........	93.30	94.16	81.89	81.19	445,400	186
Wednesday, " 8........	91.47	93.28	81.49	80.27	663,400	193
Thursday, " 9........	92.23	93.90	81.03	80.25	626,100	183
Friday, " 10........	91.90	93.20	80.87	80.12	457,100	174
Saturday, " 11........	91.81	93.26	80.63	80.20	150,400	122

War, Not Weather, Governs Cotton

By RICHARD S. SLATER

WHEN the government condition report showed no improvement during the month of July, there was a sharp advance in cotton prices. The professional trades had begun to get bearish and the market was somewhat oversold, which fact assisted materially in bringing about the advance.

The weather during the first two weeks in August was favorable, on the whole; and, with reports of showers in Texas came a resurrection of bearish sentiment among the professional element. Nothing is more natural than that during August it should be a weather market. August is always the month to be feared, and this year the great deterioration that took place during last August is still fresh in the mind of every cotton man. A crop that can hold its 25th of June condition until August 25th is not doing badly. So, although the bears had expected the Government to show some improvement during July, they took heart again when the early August weather failed to point to any damage to the growing crop.

For a time yet a weather market is what must be expected. The trade has not yet been able to break away from old traditions, and during the late Summer cotton prices have always fluctuated according to the reports of the weather in the belt. The weather this month and next may alter the size of the crop half a million bales and, of course, that is a whole lot of cotton. In a market that is dull and hungry for news, reports of a Texan shower suffice to furnish an excuse for an hour's fluctuation; but it does not seem reasonable to expect such a change in crop conditions during the rest of the growing season as to materially alter the situation. Really, when the situation is viewed broadly, it makes but little difference whether this crop will be 11,500,000 or 12,500,000 bales.

Some time or other the cotton market—in common with other markets—is going to wake up to the fact that the war has changed all conditions and that they will never be the same again. It is very hard on the old timers. Many business men who have always been considered as particularly well posted and efficient will be thrown into the scrap heap during the next three years because they cannot get away from what used to be. It is pathetic to see cotton men digging back into the records of the past, pouring over the old valueless, saw-toothed charts of other years, to hear them telling of how right they were in the season of 1903 or 1907; when their every word and every indicated thought shows that they have not the slightest conception of the great world changes which are going on with such wonderful rapidity. However, the cotton trade is not an exception in this regard; on the other hand, there are as many cotton men looking at things broadly as will be found in any other walk of life.

In spite of the fact that just at the present time the weather seems to be the controlling factor, it must be remembered that it is, after all, a war market, and not a weather market. It will continue to be a war market until it becomes a peace market; and just now it looks as if several crops may mature in the fields before that time comes.

It is not a question of the size of the crop this year, as it used to be in the old days when the highways of the seven seas were all open so that the bales

could move to any place where cotton was wanted. In the old days the man who could make a good guess at the number of bales the South would produce was considered the wise man in the trade; and he was in a position to profit as a result of his good judgment. To-day it would profit a man but little if he knew to a bale what the new crop was to be—certainly this information would be valueless to him if he made a mistake in his judgment as to what conditions are going to be developed by the war.

The one thing that seems certain is that war conditions will bring about the largest domestic consumption during the next twelve months that this country has ever known. It is more than probable that before this time next year the cotton mills will be appealing to the national government to assist them in securing the labor required to keep their spindles and looms working twenty-four hours a day in eight, or perhaps six-hour shifts. It is quite possible that the Government will have to take over the whole Sea Island crop simply to use this long staple stuff in the manufacture of a special cloth for the wings of flying machines and other special war uses. The Government has no idea as yet how far it will have to go—and no more has the trade.

While a record-breaking domestic consumption is a certainty, the crop will be larger than the needs of domestic mills, so the whole matter goes back to a question of how much cotton we can give a world that is starving for cotton.

Exports since the first of the new crop year have not been as large as for the same period last season; but this means little. Trade conditions are not normal, and the movement is irregular. For the week ending August 10 imports of American cotton at Liverpool totaled 85,000 bales. The previous week they had been only 1,000 bales.

If England, France and Italy is going to be able to get the cotton they will be willing to pay almost any price, for the crop this season is going to be a short one.

That all shipping will be under Government control long before the end of this cotton season seems a certainty.

The cotton that this country does not have to have will be exported.

The trade must forget the showers and dry spots; and remember that, after all, this is a war market—not a weather market.

Cash Grain Dominates Markets

By P. S. KRECKER

PASSAGE of the Food Control Bill in virtually the shape desired by the President, has been the overshadowing development in the grain markets because cereal products more than any other foods will be affected. The grain trade has impatiently awaited the enactment of this law, because it will end the uncertainty which has so long existed and enable the Government to determine its policies. After these are known, the trade will be able to shape its business in harmony. Prompt announcement of these policies is expected for it is known that Herbert C. Hoover, the President's choice for food controller, has determined already what steps should be taken. The understanding is that he will buy up grain under the authority vested in the Government, which plans to usurp the place heretofore held by those middlemen who annually purchase grain from farmers and then store it and distribute it according to the requirements of consumers. This private machinery has always served a useful end by stabilizing values, but with the advent of the war and short crops it has failed lamentably because of the greed of individuals who could not resist the temptation to hoard instead of distribute. It is planned now for the Government to perform the function of middleman and to stabilize values, but the Gov-

ernment is likely to go further and to regulate distribution so as to prevent individual mills from buying beyond their needs. A fixed policy of regulation probably will find its fullest development in the wheat markets because it is in these that the greatest necessity for control exists. What the policy of the Government will be regarding the utilization of future contracts is problematical. It would not be surprising should trading in wheat options be stopped entirely. With a minimum price established for the producer, he will not require a hedge market to protect himself. Whether mills will need hedge privileges also may be doubted, as the Government may be expected to apportion wheat fairly so that all mills will receive their proportionate share. In the case of corn and oats, there is less necessity for such strict regulation as is planned for wheat because of the large prospective supplies, and it is possible that the future markets will be held open for trade purposes.

August Grain

In one vital respect the August grain crop report differs from those which have preceded it. That is in its finality. The public can reckon with almost absolute certainty that the August forecast will be realized within a comparatively few bushels. Whereas the June and July forecasts are merely tentative and can be changed greatly by climatic conditions which follow them, the crops shown Aug. 1 are virtually made. Some latitude must be allowed for weather damage in the case of corn and also, to a lesser degree, in that of Spring wheat, but even these crops are so well advanced that this margin of danger is comparatively small. Lack of sufficient rain this month would dwarf the ears and thus reduce the yield. Farmers must also reckon on the possibility of damage from early frost. But, taking into account the possibilities named and allowing for losses yet to come, the chances are all in favor of virtual realization of the Government's Aug. 1, forecast. Since, then, we know what our grain yields will be, it is opportune to compare them with those of the previous season.

Little that is new has been added to our stock of crop knowledge by the report. The main point about it is that it confirms to quite a close degree previously conceived ideas what the yields would be. A corn crop larger than any ever grown before is virtually assured. The indicated yield is 3,191,000,000 bushels, an increase over last year of 608,000,000 bushels. The oats crop of 1,456,000,000, now assured, will be 204,000,000, bushels larger than that of last season. As expected, wheat shows poorest promise with a net gain from combined Winter and Spring crops of only 13,000,000 bushels. The combined net increase in the grain harvests of the three principal crops this season over last year's yields, therefore, is 815,000,000 bushels. It is probable that foreign requirements of wheat will be 40 per cent larger this season than they were last year, while exports of corn and oats may be double those of the previous season. Nevertheless, the big increase in our crops will go far towards meeting this extra demand if the distribution is scientifically managed and hoarding is prevented. But the inference should not be drawn from this probable situation that prices will decline.

In the markets the feature has continued to be the strong cash position of all grains. Attention is riveted on the prices which new crop grains command. In the case of wheat it was expected, owing to the known shortage in both new and old grain, that prices would be maintained. The fixing of a minimum of $2 a bushel for new wheat on the farms assured the trade of a high level of prices, so that no surprise is felt that new wheat should bring nearly $2.50 a bushel in the Chicago market during the height of the Winter wheat movement. But in the case of corn and oats, bears have had a disagreeable surprise. Corn from the new crop, for December delivery, is reported to be selling in the West for $1.50 a bushel, or nearly 25 cents above the maximum fixed by the Chicago Board of Trade, for the December option.

This is an intimation that tho bearish predictions recently freely made that new corn will be selling freely below a dollar a bushel in the Fall are not likely to be realized.